

CITY OF LYNDHURST, OHIO

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 1999

Charles E. Harris and Associates, Inc.
Certified Public Accountants



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Honorable Mayor and City Council
City of Lyndhurst
5301 Mayfield Road
Lyndhurst, Ohio 44124

We have reviewed the Independent Auditor's Report of the City of Lyndhurst, Cuyahoga County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 1999 through December 31, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

July 17, 2001

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CITY OF LYNDHURST, OHIO
AUDIT REPORT
For the Year Ended December 31, 1999

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CITY OF LYNDHURST, OHIO
AUDIT REPORT
For the Year Ended December 31, 1999

ELECTED OFFICIALS

<u>ELECTED OFFICIAL</u>	<u>TITLE</u>	<u>TERM OF EXPIRATION</u>
Leonard Creary	Mayor	1/1/96 - 12/31/99
Joseph Cicero	Council	1/1/96 - 12/31/99
Dale Fisher	Council	1/1/96 - 12/31/99
Leo Lombardo	Council	1/1/98 - 12/31/02
Patrick Ward	Council	1/1/98 - 12/31/02
Barry Jacobson	Council	1/1/98 - 12/31/02
Martin Puin	Council	1/1/98 - 12/31/02
Eunice Horton	Council	1/1/98 - 12/31/02
Robert Grogan	Council	1/1/94 - 12/31/99

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

The Honorable Mayor and City Council
City of Lyndhurst
Lyndhurst, Ohio

We have audited the accompanying general purpose financial statements of City of Lyndhurst, 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 financial statements based on our audit.

We conducted our audit in accordance with auditing standards and the standards generally accepted in the United States of America 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 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 as of December 31, 1999, 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 a report dated June 15, 2001 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Charles E. Harris & Associates, Inc.
June 15, 2001

THE CITY OF LYNDHURST, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1999

	<i>Governmental Fund Types</i>			<i>Fiduciary Fund Types</i>	<i>Account Groups</i>		Totals (Memorandum Only)	
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Trust and Agency Funds	General Fixed Assets		General Long-Term Obligations
<u>Assets and Other Debits:</u>								
Assets:								
Cash and Cash Equivalents	\$204,668	\$1,273,866	\$31,573	\$395,369	\$166,952	\$0	\$0	\$2,072,428
Investments	5,322,789	0	874,974	7,276,314	0	0	0	13,474,077
Receivables:								
Taxes	2,771,202	193,016	1,129,131	179,870	0	0	0	4,273,219
Accounts	37,588	0	0	0	0	0	0	37,588
Interest	0	1,551	1,481	17,481	0	0	0	20,513
Special Assessments	0	520,899	8,775	371,720	0	0	0	901,394
Due from Other Funds	84,975	0	0	0	0	0	0	84,975
Intergovernmental Receivables	311,024	57,437	0	0	0	0	0	368,461
Inventory of Supplies	0	25,152	0	0	0	0	0	25,152
Prepaid Items	6,668	0	0	0	0	0	0	6,668
Restricted Assets:								
Cash and Cash Equivalents	0	0	0	0	264,430	0	0	264,430
Fixed Assets	0	0	0	0	0	16,635,720	0	16,635,720
Other Debits:								
Amount Available in Debt Service Funds	0	0	0	0	0	0	908,028	908,028
Amount to be Provided for								
General Long-Term Obligations	0	0	0	0	0	0	2,132,541	2,132,541
Total Assets and Other Debits	<u>\$8,738,914</u>	<u>\$2,071,921</u>	<u>\$2,045,934</u>	<u>\$8,240,754</u>	<u>\$431,382</u>	<u>\$16,635,720</u>	<u>\$3,040,569</u>	<u>\$41,205,194</u>

THE CITY OF LYNDHURST, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1999

	<i>Governmental Fund Types</i>			<i>Fiduciary Fund Types</i>	<i>Account Groups</i>		Totals (Memorandum Only)	
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Trust and Agency Funds	General Fixed Assets		General Long-Term Obligations
Liabilities, Equity and Other Credits:								
Liabilities:								
Accounts Payable	\$67,499	\$59,696	\$0	\$924,529	\$0	\$0	\$0	\$1,051,724
Accrued Wages and Benefits	341,565	55,249	0	0	0	0	0	396,814
Due to Other Funds	0	0	0	0	84,975	0	0	84,975
Intergovernmental Payables	3,747	318	0	0	103,587	0	0	107,652
Due to Others	0	0	0	0	75,868	0	0	75,868
Accrued Interest Payable	0	0	0	73,884	0	0	0	73,884
Deferred Revenue	2,686,102	713,915	1,137,906	416,000	0	0	0	4,953,923
Compensated Absences Payable	0	0	0	0	0	0	537,052	537,052
Intergovernmental Payable - Accrued Pension	0	0	0	0	0	0	138,326	138,326
General Obligation Notes Payable	0	0	0	2,775,000	0	0	0	2,775,000
Special Assessment Bonds Payable with Governmental Commitment	0	0	0	0	0	0	54,000	54,000
General Obligation Bonds Payable	0	0	0	0	0	0	2,243,750	2,243,750
Police/Fire Pension Accrued Liability	0	0	0	0	0	0	67,441	67,441
Total Liabilities	3,098,913	829,178	1,137,906	4,189,413	264,430	0	3,040,569	12,560,409
Equity and Other Credits:								
Investment in General Fixed Assets	0	0	0	0	0	16,635,720	0	16,635,720
Fund Balances:								
Reserved for Encumbrances	177,553	147,309	0	1,170,641	0	0	0	1,495,503
Reserved for Supplies Inventory	0	25,152	0	0	0	0	0	25,152
Reserved for Prepaid Items	6,668	0	0	0	0	0	0	6,668
Reserved for Debt Service	0	0	908,028	0	0	0	0	908,028
Unreserved:								
Undesignated	5,455,780	1,070,282	0	2,880,700	166,952	0	0	9,573,714
Total Equity and Other Credits	5,640,001	1,242,743	908,028	4,051,341	166,952	16,635,720	0	28,644,785
Total Liabilities, Equity and Other Credits	\$8,738,914	\$2,071,921	\$2,045,934	\$8,240,754	\$431,382	\$16,635,720	\$3,040,569	\$41,205,194

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

THE CITY OF LYNDHURST, 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

	<i>Governmental</i>			<i>Fiduciary</i>		Totals (Memorandum Only)
	<i>Fund Types</i>			<i>Fund Type</i>		
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expendable Trust Fund	
Revenues:						
Taxes	\$7,402,547	\$252,896	\$1,000,338	\$159,297	\$0	\$8,815,078
Intergovernmental Revenues	991,125	426,030	149,617	924,830	0	2,491,602
Charges for Services	90,592	0	0	0	0	90,592
Licenses, Permits and Fees	56,699	0	0	0	0	56,699
Investment Earnings	(44,832)	42,108	55,583	657,580	0	710,439
Special Assessments	0	756,691	24,388	510,237	0	1,291,316
Fines and Forfeitures	782,179	76,059	0	0	0	858,238
All Other Revenues	56,878	75,375	0	0	0	132,253
Total Revenues	<u>9,335,188</u>	<u>1,629,159</u>	<u>1,229,926</u>	<u>2,251,944</u>	<u>0</u>	<u>14,446,217</u>
Expenditures:						
Current:						
Security of Persons and Property	4,353,971	868,785	0	330,056	0	5,552,812
Public Health and Welfare Services	43,951	0	0	0	0	43,951
Leisure Time Activities	552,762	199,651	0	483,096	0	1,235,509
Community Environment	278,001	200,745	0	15,711	0	494,457
Basic Utility Services	980,124	153,528	0	1,715,911	0	2,849,563
Transportation	0	294,943	0	1,657,489	0	1,952,432
General Government	2,769,732	40,149	5,123	281,865	0	3,096,869
Debt Service:						
Principal Retirement	0	0	444,250	0	0	444,250
Interest and Fiscal Charges	0	0	114,622	170,178	0	284,800
Total Expenditures	<u>8,978,541</u>	<u>1,757,801</u>	<u>563,995</u>	<u>4,654,306</u>	<u>0</u>	<u>15,954,643</u>
Excess (Deficiency) of Revenues Over Expenditures	356,647	(128,642)	665,931	(2,402,362)	0	(1,508,426)
Other Financing Sources (Uses):						
Proceeds from the Sale of Fixed Assets	0	0	0	51,122	0	51,122
Operating Transfers In	0	582,000	0	2,857,138	0	3,439,138
Operating Transfers Out	(882,000)	(500,000)	(675,188)	(1,381,950)	0	(3,439,138)
Other Financing Sources	199,524	35,799	0	0	45,012	280,335
Other Financing Uses	0	0	0	0	(28,298)	(28,298)
Total Other Financing Sources (Uses)	<u>(682,476)</u>	<u>117,799</u>	<u>(675,188)</u>	<u>1,526,310</u>	<u>16,714</u>	<u>303,159</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	(325,829)	(10,843)	(9,257)	(876,052)	16,714	(1,205,267)
Fund Balance Beginning of Year	5,965,830	1,237,372	917,285	4,927,393	150,238	13,198,118
Increase in Inventory Reserve	0	16,214	0	0	0	16,214
Fund Balance End of Year	<u>\$5,640,001</u>	<u>\$1,242,743</u>	<u>\$908,028</u>	<u>\$4,051,341</u>	<u>\$166,952</u>	<u>\$12,009,065</u>

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

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

	<u>General Fund</u>			<u>Special Revenue Funds</u>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$7,792,709	\$7,424,634	(\$368,075)	\$243,138	\$252,896	\$9,758
Intergovernmental Revenues	865,201	993,498	128,297	390,250	425,753	35,503
Charges for Services	75,000	88,768	13,768	0	0	0
Licenses and Permits	64,300	56,699	(7,601)	0	0	0
Investment Earnings	1,550	0	(1,550)	41,650	43,908	2,258
Special Assessments	0	0	0	744,405	756,691	12,286
Fines and Forfeitures	810,700	825,561	14,861	84,050	76,632	(7,418)
All Other Revenues	49,950	57,885	7,935	61,000	75,375	14,375
Total Revenues	9,659,410	9,447,045	(212,365)	1,564,493	1,631,255	66,762
Expenditures:						
Current:						
Security of Persons and Property	4,484,301	4,409,908	74,393	1,035,994	993,348	42,646
Public Health and Welfare Services	44,000	43,951	49	0	0	0
Leisure Time Activities	566,188	555,170	11,018	219,338	208,415	10,923
Community Environment	300,450	286,907	13,543	260,800	199,927	60,873
Basic Utility Services	1,115,538	1,058,665	56,873	280,045	156,653	123,392
Transportation	0	0	0	405,339	301,336	104,003
General Government	2,890,408	2,814,798	75,610	260,334	41,483	218,851
Other Expenditures	116,225	0	116,225	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	9,517,110	9,169,399	347,711	2,461,850	1,901,162	560,688
Excess (Deficiency) of Revenues Over (Under) Expenditures	142,300	277,646	135,346	(897,357)	(269,907)	627,450
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0
Proceeds from General Obligation Note:	0	0	0	0	0	0
Operating Transfers In	0	0	0	505,000	582,000	77,000
Operating Transfers Out	(882,000)	(882,000)	0	(500,000)	(500,000)	0
Other Financing Sources	115,000	239,658	124,658	12,500	20,009	7,509
Other Financing Uses	0	0	0	0	0	0
Total Other Financing Sources (Use)	(767,000)	(642,342)	124,658	17,500	102,009	84,509
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(624,700)	(364,696)	260,004	(879,857)	(167,898)	711,959
Fund Balance at Beginning of Year	5,549,184	5,549,184	0	1,121,618	1,121,618	0
Prior Year Encumbrances	130,225	130,225	0	155,600	155,600	0
Fund Balance at End of Year	\$5,054,709	\$5,314,713	\$260,004	\$397,361	\$1,109,320	\$711,959

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

(Continued)

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

	<u>Debt Service Fund</u>			<u>Capital Projects Funds</u>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$1,061,411	\$1,097,213	\$35,802	\$65,000	\$64,037	(\$963)
Intergovernmental Revenues	143,917	149,617	5,700	0	976,845	976,845
Charges for Services	0	0	0	0	0	0
Licenses and Permits	0	0	0	0	0	0
Investment Earnings	62,096	64,981	2,885	908,000	771,104	(136,896)
Special Assessments	12,904	24,388	11,484	506,492	510,237	3,745
Fines and Forfeitures	0	0	0	0	0	0
All Other Revenues	0	0	0	0	0	0
Total Revenues	1,280,328	1,336,199	55,871	1,479,492	2,322,223	842,731
Expenditures:						
Current:						
Security of Persons and Property	0	0	0	471,387	471,133	254
Public Health and Welfare Services	0	0	0	0	0	0
Leisure Time Activities	0	0	0	633,695	604,472	29,223
Community Environment	0	0	0	15,750	15,711	39
Basic Utility Services	0	0	0	2,605,170	2,567,370	37,800
Transportation	0	0	0	1,906,347	1,756,484	149,863
General Government	5,300	5,123	177	307,094	307,815	(721)
Other Expenditures	513,765	0	513,765	5,600	0	5,600
Debt Service:						
Principal Retirement	3,594,250	3,594,250	0	0	0	0
Interest and Fiscal Charges	236,685	236,685	0	0	0	0
Total Expenditures	4,350,000	3,836,058	513,942	5,945,043	5,722,985	222,058
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,069,672)	(2,499,859)	569,813	(4,465,551)	(3,400,762)	1,064,789
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	0	0	0	65,000	51,122	(13,878)
Proceeds from General Obligation Note:	2,850,000	2,775,000	(75,000)	0	0	0
Operating Transfers In	375,000	375,000	0	3,021,950	2,456,950	(565,000)
Operating Transfers Out	(650,000)	(650,000)	0	(1,781,950)	(1,381,950)	400,000
Other Financing Sources	0	0	0	0	0	0
Other Financing Uses	0	0	0	0	0	0
Total Other Financing Sources (Uses)	2,575,000	2,500,000	(75,000)	1,305,000	1,126,122	(178,878)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(494,672)	141	494,813	(3,160,551)	(2,274,640)	885,911
Fund Balance at Beginning of Year	908,850	908,850	0	6,896,782	6,896,782	0
Prior Year Encumbrances	0	0	0	996,943	996,943	0
Fund Balance at End of Year	\$414,178	\$908,991	\$494,813	\$4,733,174	\$5,619,085	\$885,911

(Continued)

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

	<i>Expendable Trust Funds</i>			<i>Totals (Memorandum Only)</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$0	\$0	\$0	\$9,162,258	\$8,838,780	(\$323,478)
Intergovernmental Revenues	0	0	0	1,399,368	2,545,713	1,146,345
Charges for Services	0	0	0	75,000	88,768	13,768
Licenses and Permits	0	0	0	64,300	56,699	(7,601)
Investment Earnings	0	0	0	1,013,296	879,993	(133,303)
Special Assessments	0	0	0	1,263,801	1,291,316	27,515
Fines and Forfeitures	0	0	0	894,750	902,193	7,443
All Other Revenues	0	0	0	110,950	133,260	22,310
Total Revenues	0	0	0	13,983,723	14,736,722	752,999
Expenditures:						
Current:						
Security of Persons and Property	0	0	0	5,991,682	5,874,389	117,293
Public Health and Welfare Services	0	0	0	44,000	43,951	49
Leisure Time Activities	0	0	0	1,419,221	1,368,057	51,164
Community Environment	0	0	0	577,000	502,545	74,455
Basic Utility Services	0	0	0	4,000,753	3,782,688	218,065
Transportation	0	0	0	2,311,686	2,057,820	253,866
General Government	0	0	0	3,463,136	3,169,219	293,917
Other Expenditures	0	0	0	635,590	0	635,590
Debt Service:						
Principal Retirement	0	0	0	3,594,250	3,594,250	0
Interest and Fiscal Charges	0	0	0	236,685	236,685	0
Total Expenditures	0	0	0	22,274,003	20,629,604	1,644,399
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0	(8,290,280)	(5,892,882)	2,397,398
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	0	0	0	65,000	51,122	(13,878)
Proceeds from General Obligation Note:	0	0	0	2,850,000	2,775,000	(75,000)
Operating Transfers In	0	0	0	3,901,950	3,413,950	(488,000)
Operating Transfers Out	0	0	0	(3,813,950)	(3,413,950)	400,000
Other Financing Sources	30,250	45,012	14,762	157,750	304,679	146,929
Other Financing Uses	(150,400)	(28,298)	122,102	(150,400)	(28,298)	122,102
Total Other Financing Sources (Uses)	(120,150)	16,714	136,864	3,010,350	3,102,503	92,153
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(120,150)	16,714	136,864	(5,279,930)	(2,790,379)	2,489,551
Fund Balance at Beginning of Year	150,238	150,238	0	14,626,672	14,626,672	0
Prior Year Encumbrances	0	0	0	1,282,768	1,282,768	0
Fund Balance at End of Year	\$30,088	\$166,952	\$136,864	\$10,629,510	\$13,119,061	\$2,489,551

THE CITY OF LYNDHURST, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lyndhurst, Ohio (the City) was incorporated on January 16, 1951 and is a home rule municipal corporation created under the laws of the State of Ohio. The City operates a Mayor-Council form of government.

The accompanying general purpose financial statements of the City present the financial position of the various fund types and account groups and the results of operations of the various fund types. The financial statements are presented as of December 31, 1999 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

The accompanying general purpose financial statements comply with the provisions of GASB Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, account groups, agencies, boards and commissions that are part of the primary government, which includes the following services: fire and police protection, emergency medical response, parks, recreation, planning, zoning, street construction and maintenance, refuse collection and other governmental services.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures (expenses). The various funds are summarized by type in the general purpose financial statements. The following fund types and account groups are used by the City:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Governmental Funds

The governmental funds are those funds through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary fund) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the City's governmental fund types:

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

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

Debt Service Fund - This fund is used for the accumulation of resources for, and the payment of, general obligation long-term debt principal and interest.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Fiduciary Funds

Trust and Agency Funds - These funds are used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City maintains both an expendable trust fund and agency funds. The expendable trust fund is accounted for and reported similarly to governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

General Fixed Assets Account Group - This account group is established to account for fixed assets of the City.

General Long-Term Obligations Account Group - This account group is established to account for all long-term debt and other long-term obligations of the City.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses in the accounts and reported in the financial statements, and relates to the timing of the measurements made. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds and expendable trust and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Revenue considered susceptible to accrual at year end includes income taxes withheld by employers, interest on investments, and state levied locally shared taxes (including motor vehicle license fees and local government assistance). Other revenue, including licenses, permits, certain charges for services, income taxes other than those withheld by employers and miscellaneous revenues, is recorded as revenue when received in cash because it is generally not measurable until received.

D. Budgetary Process

The budgetary process is prescribed by Charter and by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.

All funds, other than agency funds, are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. Budgetary modifications above the major object level by fund may only be made by ordinance of the City Council.

1. Tax Budget

The Mayor submits an annual tax budget for the following fiscal year to City Council by July 15 for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the period January 1 to December 31 of the following year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 1999.

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level, and may be modified during the year by ordinance of the City Council. Total fund appropriations may not exceed the current estimated resources as certified by the County Budget Commission. Expenditures may not legally exceed budgeted appropriations at the object level. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying general purpose financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

5. Lapsing of Appropriations

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 subsequent fiscal year and need not be reappropriated.

6. Budgetary Basis of Accounting

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the governmental funds:

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses				
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expendable Trust Funds
GAAP Basis (as reported)	(\$325,829)	(\$10,843)	(\$9,257)	(\$876,052)	\$16,714
Increase (Decrease):					
Accrued Revenues at December 31, 1999 received during 2000	(518,687)	(58,988)	(1,481)	(153,071)	0
Accrued Revenues at December 31, 1998 received during 1999	625,846	45,294	3,967	258,929	0
Accrued Expenditures at December 31, 1999 paid during 2000	412,811	115,263	0	998,413	0
Accrued Expenditures at December 31, 1998 paid during 1999	(369,355)	(94,078)	0	(116,184)	0
1999 Prepays for 2000	(6,668)	0	0	0	0
Fund Debt:					
Note Proceeds	0	0	0	2,775,000	0
Note Retirements	0	0	0	(3,150,000)	0
1998 Adjustment to Fair Value	29,930	0	4,468	40,923	0
1999 Adjustment to Fair Value	14,902	0	2,444	20,373	0
Outstanding Encumbrances	(227,646)	(164,546)	0	(2,072,971)	0
Budget Basis	<u>(\$364,696)</u>	<u>(\$167,898)</u>	<u>\$141</u>	<u>(\$2,274,640)</u>	<u>\$16,714</u>

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, the State Treasury Asset Reserve (STAR Ohio) and short-term certificates of deposit. The certificates of deposit are considered cash equivalents because they are highly liquid investments with original maturity dates of three months or less.

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and cash equivalents represents the balance on hand as if each fund maintained its own cash and cash equivalent account. See Note 3, "Cash, Cash Equivalents and Investments."

F. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City records all its investments at fair value except for nonparticipating investment contracts (repurchase agreements and certificates of deposit) which are reported at cost. The City allocates interest among the various funds based upon applicable legal and administrative requirements. See Note 3, "Cash, Cash Equivalents and Investments."

The City has invested funds in the STAR Ohio during 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 1999.

G. Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds. The cost of inventory items are recorded as expenditures in the governmental and expendable trust funds when purchased.

H. Fixed Assets and Depreciation

The accounting and reporting treatment applied to fixed assets is determined by their ultimate use. Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at fair market value at the date received.

Fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, have not been capitalized. Such assets normally are immovable and of value only to the City; therefore, the purpose of stewardship for capital expenditures can be satisfied without recording these assets.

The City has elected not to record depreciation in the General Fixed Assets Account Group.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	General Bond Retirement Fund
Special Assessment Bonds	General Bond Retirement Fund
Compensated Absences	General Fund Street Construction, Maintenance and Repair Fund
Accrued Police and Fire Pension Liability	Police Pension Fund Fire Pension Fund

J. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

For governmental funds, the portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." The long-term portion of the liability is reported in the General Long-Term Obligations Account Group.

K. Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

L. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds. Interfund transactions are generally classified as follows:

- Operating transfers are reported as "Other Financing Sources and Uses" in the governmental funds, as "Operating Transfers In" by the recipient fund, and "Operating Transfers Out" by the disbursing fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Interfund Transactions (Continued)

- Residual equity transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance. The City did not perform any residual equity transfers in 1999.

Transactions that would be treated as revenues and expenditures/expenses if the transactions involved organizations external to the City are similarly treated when involving other funds of the City. The City also advances cash from one fund to another as necessary to meet current obligations.

M. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for supplies inventory, prepaid items, debt service and encumbered amounts that have not been accrued at year end.

N. Total Columns on Combined Financial Statements - Overview

Total columns on the "Combined Financial Statements - Overview" are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

A. Fund Deficits

The fund deficits at December 31, 1999 of \$84,859 in the Permanent Improvement Fund and \$412,038 in the Street Improvement Fund (capital projects funds) arose from recording notes payable amounts in the individual fund balance sheet. Deficits do not exist under the cash basis of accounting. The general fund provides operating transfers when cash is required, not when accruals occur.

B. Estimated Resources Over Actual Receipts

Section 5705.36, Revised Code, requires the City to obtain a reduced amended certificate of estimated resources when it is known that the estimated receipts will exceed actual receipts. Once a reduced amended certificate is obtained, Section 5705.36, Revised Code, requires a corresponding reduction in appropriations. For the year ended December 31, 1999, estimated resources exceeded actual receipts plus certified beginning balances as follows:

<u>Fund</u>	<u>Excess</u>
General Fund	(\$87,707)
Capital Projects Funds:	
Mayfield Road Storm Sewer	(5,000)
Parks and Recreation Equipment	(18,000)
Sidewalk Construction	(55,441)

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Appropriations Over Estimated Revenue

Section 5705.39, Revised Code, prohibits the City from making a fund appropriation in excess of the estimated revenue available for expenditure plus carryover balances in the fund. For the year ended December 31, 1999, appropriations exceeded estimated revenue plus carryover balances as follows:

<u>Fund</u>	<u>Excess</u>
Special Revenue Funds:	
State Highway Improvement	(\$1,948)
Community Center	(586)
Debt Service Fund:	
General Obligation	(27,823)
Capital Projects Funds:	
Street Improvement	(356,867)
Sewer Construction	(563,615)

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY (Continued)

D. Excess of Expenditures Over Appropriations

Section 5705.41 (D), Revised Code, requires that encumbrances be charged against proper appropriations. Section 5705.41 (B), prohibits the City from making an expenditure unless it has been properly appropriated. For the year ended December 31, 1999, expenditures plus encumbrances exceeded appropriations at the object level (i.e., the legal level of budgetary control) as follows:

<u>Fund</u>	<u>Excess</u>	<u>Fund</u>	<u>Excess</u>
<u>General Fund:</u>		<u>Special Revenue Funds:</u>	
<u>Security of Persons and Property:</u>		Traffic Safety	\$11,076
Police:		Police Pension	55,309
Salaries and Wages	\$28,081	Sewer M/R	21,665
<u>Community Environment:</u>		<u>Capital Projects Funds:</u>	
Building Department:		Capital Outlay	247,409
Salaries and Wages	495		
<u>Leisure Time Activities:</u>			
Parks:			
Salaries and Wages	7,553		
Brainard Pool:			
Other Expenses	2,749		
<u>Basic Utility Services:</u>			
Recycle:			
Salaries and Wages	5,215		
<u>General Government:</u>			
Mayor:			
Salaries and Wages	835		
Service:			
Salaries and Wages	6,247		
Court:			
Salaries and Wages	793		
General Administration:			
Other Expenses	6,809		
Public Lands and Building:			
Salaries and Wages	1,055		

The excess expenditures were funded from available fund balances.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of a majority of individual funds are combined to form a pool of cash and investments. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents." Ohio law requires the classification of funds held by the City into three categories:

Category 1 consists of "active" funds - those funds required to be kept in "cash" or "cash equivalent" status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current two year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- Bonds, notes or other obligations guaranteed by the United States, or those for which the faith of the United States is pledged for payment of principal and interest;
- Bonds, notes, debentures or other obligations or securities issued by any federal government agency or the Export-Import Bank of Washington;
- Repurchase agreements collateralized by securities enumerated above;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 110% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, "*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*," collateral held in single financial collateral pools with securities being held by the pledging financial institutions' agent in the pool's name are classified as Category 3.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

The GASB has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

Investments:

- Category 1 Insured or registered, with securities held by the City or its agent in the City's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent, but not in the City's name.

A. Deposits

At year end the carrying amount of the City's deposits was \$4,387,913, and the bank balance was \$4,426,372. Federal depository insurance covered \$224,650 of the bank balance. All remaining deposits were classified as Category 3.

B. Investments

The City's investments at December 31, 1999 are summarized below:

<u>Categorized Investments</u>	<u>Category 1</u>	<u>Category 3</u>	<u>Fair Value</u>
City of Lyndhurst Special Assessment Bond			
Richmond Road Sewer S.A. Bond	\$10,000	\$0	\$10,000
Portage Commodore S.A. Bond	44,000	0	44,000
Repurchase Agreement	0	117,371	117,371
Federal Agencies	0	9,420,077	9,420,077
Total Categorized Investments	<u>54,000</u>	<u>9,537,448</u>	<u>9,591,448</u>
<u>Noncategorized Investments</u>			
STAR Ohio	N/A	N/A	1,831,574
Total Investments	<u>\$54,000</u>	<u>\$9,537,448</u>	<u>\$11,423,022</u>

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Investments with an original maturity of three months or less are treated as cash and cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note is based on criteria set forth in GASB Statement No. 3.

A reconciliation between classifications of cash and investments on the combined financial statements and the classifications per items A and B of this note are as follows:

	Cash and Cash	
	<u>Equivalents</u>	<u>Investments</u>
Per Combined Balance Sheet	\$2,336,858	\$13,474,077
Certificates of Deposit with original maturities greater than 90 days	4,000,000	(4,000,000)
Repurchase Agreement	(117,371)	117,371
STAR Ohio	(1,831,574)	1,831,574
Per GASB Statement No. 3	<u>\$4,387,913</u>	<u>\$11,423,022</u>

NOTE 4 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 1999 were levied after October 1, 1998 on assessed values as of January 1, 1998, the lien date. Assessed values were established by the County Auditor at 35% of appraised market value. All property is required to be reappraised every six years, and equalization adjustments are made in the third year following reappraisal. The last revaluation was completed in 1994 and the equalization adjustment was completed in 1997. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder is payable by June 20.

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

NOTE 4 – TAXES (Continued)

A. Property 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 is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

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

The full tax rate for all City operations for the year ended December 31, 1999 was \$11.50 per \$1,000 of assessed value. The assessed value upon which the 1999 levy was based was \$352,883,574. This amount constitutes \$335,722,590 in real property assessed value, \$8,791,544 in public utility assessed value and \$8,369,440 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is 1.15% (11.5 mills) of assessed value.

B. Income Tax

The City levies a tax of 1.5% on substantially all income earned within the City. In addition, residents of the City are required to pay City income tax on income they earn outside the City. However, the City allows a credit of a maximum of 50% of the first one and one-half percent of income tax paid to another municipality.

Employers within the City are required to withhold income tax on employees compensation and remit the tax either monthly or quarterly, as required, to the Regional Income Tax Agency which serves as the City's agent for collection of their income tax. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. All income tax proceeds are received by the General Fund.

NOTE 5 - RECEIVABLES

Receivables at December 31, 1999 consisted of taxes, special assessments, interest, accounts receivable, interfund receivables and intergovernmental receivables arising from shared revenues. All receivables other than those offset by deferred revenues are considered collectible in full.

NOTE 6 - INTERFUND BALANCES

The following is a summary of interfund receivables and payables for all funds for 1999:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$84,975	\$0
Agency Fund:		
Municipal Court Fund	<u>0</u>	<u>84,975</u>
Totals	<u><u>\$84,975</u></u>	<u><u>\$84,975</u></u>

NOTE 7 - OPERATING TRANSFERS

Following is a summary of operating transfers in and out for all funds for 1999:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$0	\$882,000
Special Revenue Funds:		
Community Center Fund	150,000	0
Street Lighting Special Assessment Fund	5,000	0
Sewer Maintenance and Repair Special Assessment Fund	0	500,000
Police Pension Fund	218,000	0
Fire Pension Fund	<u>209,000</u>	<u>0</u>
Total Special Revenue Funds	582,000	500,000
Debt Service Fund:		
General Bond Retirement Fund	0	675,188
Capital Projects Funds:		
Permanent Improvement Fund	375,000	1,281,950
Street Improvement Fund	1,532,138	0
Sidewalk Construction Maintenance & Repair Fund	50,000	0
Sewer Construction Fund	600,000	0
Capital Reserve Fund	<u>300,000</u>	<u>100,000</u>
Total Capital Projects Funds	<u>2,857,138</u>	<u>1,381,950</u>
Totals	<u><u>\$3,439,138</u></u>	<u><u>\$3,439,138</u></u>

NOTE 8 - FIXED ASSETS

Summary by category of changes in general fixed assets:

<u>Category</u>	<u>December 31, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 1999</u>
Land	\$394,193	\$0	\$0	\$394,193
Buildings	8,121,297	337,021	(79,485)	8,378,833
Improvements Other Than Buildings	1,340,769	19,833	0	1,360,602
Machinery and Equipment	6,027,111	541,957	(66,976)	6,502,092
Total General Fixed Assets	<u><u>\$15,883,370</u></u>	<u><u>\$898,811</u></u>	<u><u>(\$146,461)</u></u>	<u><u>\$16,635,720</u></u>

NOTE 8 - FIXED ASSETS (Continued)

Schedule of General Fixed Assets by source at December 31, 1999:

Category	December 31, 1998	Additions	Deletions	December 31, 1999
General Fund	\$932,132	\$14,171	(\$50,435)	\$895,868
Special Revenue Funds	478,680	11,175	(950)	488,905
Capital Projects Funds	14,472,558	873,465	(95,076)	15,250,947
Total General Fixed Assets	\$15,883,370	\$898,811	(\$146,461)	\$16,635,720

NOTE 9 – DEFINED BENEFIT PENSION PLANS

All of the City’s full-time employees participate in one of two separate retirement systems which are cost-sharing multiple employer defined benefit pension plans.

A. Public Employees Retirement System (the “PERS of Ohio”)

The following information was provided by the PERS of Ohio to assist the City in complying with GASB Statement No. 27, *“Accounting for Pensions by State and Local Government Employers.”*

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in the PERS of Ohio, a cost-sharing multiple employer defined benefit pension plan. The PERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Public Employees Retirement System of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the PERS of Ohio. 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 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The 1999 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.35% to fund the pension and 4.2% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the PERS of Ohio for the years ending December 31, 1999, 1998 and 1997 were \$404,881 \$360,685 and \$349,036, respectively, which were equal to the required contributions for each year.

The PERS of Ohio provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the PERS of Ohio. The portion of the 1999 employer contribution rate (identified above) that was used to fund health care for the year 1999 was 4.2% of covered payroll which amounted to \$125,498.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

A. Public Employees Retirement System (the “PERS of Ohio”) (Continued)

Other Postemployment Benefits (OPEB) are financed through employer contributions and investment earnings thereon. Funding and accounting were on a pay-as-you-go basis. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. Expenditures for other postemployment benefits during 1999 were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

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

B. Ohio Police and Fire Pension Fund (the “OP&F Fund”)

All City full-time police officers and full-time firefighters participate in the OP&F Fund, a cost-sharing multiple-employer defined benefit pension plan. The OP&F Fund 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 Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the OP&F Fund. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 1999, 1998 and 1997 were \$331,127, \$274,744 and \$279,827 for police and \$287,760, \$275,423 and \$267,823 for firefighters, respectively, which were equal to the required contributions for each year.

The OP&F Fund provides postemployment health care coverage to any person who received 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 on a full-time or two-thirds basis. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

B. Ohio Police and Fire Pension Fund (the “OP&F Fund”) (Continued)

The portion of the 1999 covered payroll that was used to fund postemployment health care benefits was \$118,866 representing 7.00% of covered payroll for police and \$83,930 representing 7.00% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. 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. As of December 31, 1998, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 11,424 for police and 9,186 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 1998 were \$78,596,790, which was net of member contributions of \$5,331,515.

NOTE 10– COMPENSATED ABSENCES

The costs of vacation and sick leave benefits are recorded as they are earned. Employees earn sick and vacation leave at varying rates based upon length of service. Upon retirement, and in certain instances, termination, an individual will be compensated for their accumulated sick leave at a maximum rate of 45% of the balance.

As of December 31, 1999, the liability for unpaid compensated absences was \$537,052 for all funds of the City. The entire balance of compensated absences was considered long-term since no payments were anticipated which would require the use of current available financial resources. The liability has been reported in the General Long-Term Obligations Account Group.

NOTE 11 - CONSTRUCTION COMMITMENTS

As of December 31, 1999, the City had the following commitments with respect to capital projects:

<u>Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Watermain	\$290,560	March 2000
Sewer Rehabilitation	516,828	September 2000
Total	<u>\$807,388</u>	

NOTE 12 - NOTES PAYABLE

The Ohio Revised Code provides that notes including renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. The maximum maturity for notes anticipating general obligation bonds payable from special assessments is five years. Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts at least equal to, and payable no later than, those principal maturities required if the bonds had been issued at the expiration of the initial five year period. Bond anticipation notes may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the notes, or from available funds of the City or a combination of these sources.

Issue	Balance 1/1/99	Issued (Retired)	Balance 12/31/99
Bond Anticipation Notes:			
3.875% Street Improvement	\$650,000	(\$650,000)	\$0
3.375% Street Improvement	0	650,000	650,000
3.875% Community Center	2,000,000	(2,000,000)	0
3.375% Community Center	0	1,800,000	1,800,000
3.875% Fire Truck	500,000	(500,000)	0
3.375% Fire Truck	0	325,000	325,000
Total Notes Payable	<u>\$3,150,000</u>	<u>(\$375,000)</u>	<u>\$2,775,000</u>

NOTE 13 - LONG-TERM OBLIGATIONS

Activity in the General Long-Term Obligations Account Group in 1999 was as follows:

	Balance December 31, 1998	Issued (Retired)	Balance December 31, 1999
General Long-Term Debt:			
General Obligation Bonds:			
Ohio Public Works Commission			
Euclid Creek	\$45,000	(\$11,250)	\$33,750
5.625% Street Improvement			
Various Purpose Bonds	2,630,000	(420,000)	2,210,000
Total General Obligation Bonds	<u>2,675,000</u>	<u>(431,250)</u>	<u>2,243,750</u>
Special Assessment Bonds:			
6.375% Ford Road	6,000	(6,000)	0
10.000% Richmond Road Sewer	12,000	(2,000)	10,000
8.000% Portage Commodore	49,000	(5,000)	44,000
Total Special Assessment Bonds	<u>67,000</u>	<u>(13,000)</u>	<u>54,000</u>
with Governmental Commitment			
Total General Long-Term Debt	<u>2,742,000</u>	<u>(444,250)</u>	<u>2,297,750</u>
Other Long-Term Obligations:			
Compensated Absences	277,280	259,772	537,052
Intergovernmental Payable - Accrued Pension	130,974	7,352	138,326
Police and Fire Pension Accrued Liability	68,247	(806)	67,441
Total Other Long-Term Obligations	<u>476,501</u>	<u>266,318</u>	<u>742,819</u>
Total General Long-Term Debt and Other Long-Term Obligations	<u>\$3,218,501</u>	<u>(\$177,932)</u>	<u>\$3,040,569</u>

Special assessment debt service is financed by assessments to affected property owners. However, the City is ultimately responsible for the debt service if the assessments are not collected. Delinquent special assessments related to outstanding special assessment bonded debt at year end were \$775.

The City's future long-term obligation funding requirements, including principal and interest payments as of December 31, 1999, follow:

Years	General Obligation Bonds		Special Assessment Bonds		Police and Fire Pension
	Principal	Interest	Principal	Interest	Accrued Liability Principal and Interest
2000	\$446,250	\$92,930	\$7,000	\$4,520	\$3,705
2001	461,250	75,685	7,000	3,920	3,705
2002	481,250	57,375	7,000	3,320	3,705
2003	495,000	37,545	7,000	2,720	3,705
2004	360,000	16,020	6,000	2,120	3,750
2005-2009	0	0	20,000	4,800	18,525
2010-2014	0	0	0	0	18,525
2015-2019	0	0	0	0	18,525
2020-2035	0	0	0	0	56,771
Totals	<u>\$2,243,750</u>	<u>\$279,555</u>	<u>\$54,000</u>	<u>\$21,400</u>	<u>\$130,916</u>

NOTE 14 - 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; and natural disasters. During 1999 the City contracted with several different insurance providers for various insurance coverages, as follows:

<u>Insurance Provider</u>	<u>Coverage</u>	<u>Deductible</u>
Reliance Insurance Company	Automobile	\$100/500 Comprehensive; \$250/1000 Collision
Reliance Insurance Company	General Liability	\$0
Reliance Insurance Company	Property Casualty	\$1,000
Reliance Insurance Company	Inland Marine	\$500
Arkwright Insurance Company	Boiler and Machinery	\$250
Reliance Insurance Company	Police Liability	\$5,000
Acceptance Insurance Company	Public Officials Liability	\$5,000
Reliance Insurance Company	Umbrella	\$0
Reliance Insurance Company	Fire Department	\$0

Settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

Workers' compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

NOTE 15 - CONTINGENCIES

The City is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect on the financial condition of the City.

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

The Honorable Mayor and Members of City Council
City of Lyndhurst
Lynhurst, Ohio

We have audited the general purpose financial statements of the City of Lyndhurst, Ohio as of and for the year ended December 31, 1999 and have issued our report thereon dated June 15, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated June 15, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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 the management of the City in a separate letter dated June 15, 2001.

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

Charles E. Harris & Associates, Inc.
June 15, 2001

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of December 31, 1998, did not include material citations or recommendations.

CITY OF LYNDHURST, OHIO

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2000

Charles E. Harris and Associates, Inc.
Certified Public Accountants

CITY OF LYNDHURST, OHIO
AUDIT REPORT
For the Year Ended December 31, 2000

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CITY OF LYNDHURST, OHIO
AUDIT REPORT
For the Year Ended December 31, 2000

ELECTED OFFICIALS

<u>ELECTED OFFICIAL</u>	<u>TITLE</u>	<u>TERM OF EXPIRATION</u>
Leonard Creary	Mayor	1/1/00 - 12/31/03
Joseph Marko	Council	1/1/00 - 12/31/03
Dale Fisher	Council	1/1/00 - 12/31/03
Leo Lombardo	Council	1/1/98 - 12/31/02
Patrick Ward	Council	1/1/98 - 12/31/02
Barry Jacobson	Council	1/1/98 - 12/31/02
Martin Puin	Council	1/1/98 - 12/31/02
Lillian Turjanica	Council	1/1/00 - 12/31/03
Mary Kaye Bozza	Council	1/1/00 - 12/31/05

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

The Honorable Mayor and City Council
City of Lyndhurst
Lyndhurst, Ohio

We have audited the accompanying general purpose financial statements of City of Lyndhurst, Ohio (the City), as of and for the year ended December 31, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards and the standards generally accepted in the United States of America 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 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 as of December 31, 2000, 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 a report dated June 15, 2001 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Charles E. Harris & Associates, Inc.
June 15, 2001

**THE CITY OF LYNDHURST, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2000**

	<i>Governmental Fund Types</i>			<i>Fiduciary Fund Types</i>	<i>Account Groups</i>		Totals (Memorandum Only)	
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Trust and Agency Funds	General Fixed Assets		General Long-Term Obligations
<u>Assets and Other Debits:</u>								
Assets:								
Cash and Cash Equivalents	\$215,451	\$1,260,142	\$14,521	\$418,444	\$234,794	\$0	\$0	\$2,143,352
Investments	5,565,067	702,529	422,254	6,825,983	0	0	0	13,515,833
Receivables:								
Taxes	2,836,323	209,206	1,223,839	479,463	0	0	0	4,748,831
Accounts	28,254	935	0	0	0	0	0	29,189
Interest	0	13,299	3,019	62,588	0	0	0	78,906
Special Assessments	0	515,684	8,284	388,606	0	0	0	912,574
Due from Other Funds	78,093	20,170	0	0	0	0	0	98,263
Intergovernmental Receivables	36,533	35,448	0	0	0	0	0	71,981
Inventory of Supplies	0	15,543	0	0	0	0	0	15,543
Prepaid Items	9,907	0	0	0	0	0	0	9,907
Restricted Assets:								
Cash and Cash Equivalents	0	0	0	0	410,751	0	0	410,751
Fixed Assets	0	0	0	0	0	17,164,354	0	17,164,354
Other Debits:								
Amount Available in Debt Service Funds	0	0	0	0	0	0	439,794	439,794
Amount to be Provided for								
General Long-Term Obligations	0	0	0	0	0	0	2,235,898	2,235,898
Total Assets and Other Debits	<u>\$8,769,628</u>	<u>\$2,772,956</u>	<u>\$1,671,917</u>	<u>\$8,175,084</u>	<u>\$645,545</u>	<u>\$17,164,354</u>	<u>\$2,675,692</u>	<u>\$41,875,176</u>

**THE CITY OF LYNDHURST, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2000**

	<i>Governmental Fund Types</i>			<i>Fiduciary Fund Types</i>	<i>Account Groups</i>		Totals (Memorandum Only)	
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Trust and Agency Funds	General Fixed Assets		General Long-Term Obligations
Liabilities, Equity and Other Credits:								
Liabilities:								
Accounts Payable	\$86,246	\$118,598	\$0	\$5,729	\$0	\$0	\$0	\$210,573
Accrued Wages and Benefits	525,193	86,850	0	0	0	0	0	612,043
Due to Other Funds	0	0	0	0	98,263	0	0	98,263
Intergovernmental Payables	7,353	351	0	0	151,301	0	0	159,005
Due to Others	0	0	0	0	161,187	0	0	161,187
Accrued Interest Payable	0	0	0	84,213	0	0	0	84,213
Deferred Revenue	2,598,009	724,890	1,232,123	505,823	0	0	0	5,060,845
Compensated Absences Payable	0	0	0	0	0	0	585,533	585,533
Intergovernmental Payable - Accrued Pension	0	0	0	0	0	0	179,066	179,066
General Obligation Notes Payable	0	0	0	2,300,000	0	0	0	2,300,000
Special Assessment Bonds Payable with Governmental Commitment	0	0	0	0	0	0	47,000	47,000
General Obligation Bonds Payable	0	0	0	0	0	0	1,797,500	1,797,500
Police/Fire Pension Accrued Liability	0	0	0	0	0	0	66,593	66,593
Total Liabilities	3,216,801	930,689	1,232,123	2,895,765	410,751	0	2,675,692	11,361,821
Equity and Other Credits:								
Investment in General Fixed Assets	0	0	0	0	0	17,164,354	0	17,164,354
Fund Balances:								
Reserved for Encumbrances	119,522	221,371	0	1,151,272	0	0	0	1,492,165
Reserved for Supplies Inventory	0	15,543	0	0	0	0	0	15,543
Reserved for Prepaid Items	9,907	0	0	0	0	0	0	9,907
Reserved for Debt Service	0	0	439,794	0	0	0	0	439,794
Unreserved:								
Undesignated	5,423,398	1,605,353	0	4,128,047	234,794	0	0	11,391,592
Total Equity and Other Credits	5,552,827	1,842,267	439,794	5,279,319	234,794	17,164,354	0	30,513,355
Total Liabilities, Equity and Other Credits	\$8,769,628	\$2,772,956	\$1,671,917	\$8,175,084	\$645,545	\$17,164,354	\$2,675,692	\$41,875,176

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

THE CITY OF LYNDHURST, OHIO
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2000

	<i>Governmental</i>			<i>Fiduciary</i>		Totals (Memorandum Only)
	<i>Fund Types</i>			<i>Fund Type</i>		
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expendable Trust Funds	
Revenues:						
Taxes	\$7,580,278	\$252,977	\$552,660	\$613,664	\$0	\$8,999,579
Intergovernmental Revenues	1,035,595	401,644	149,559	1,846,685	0	3,433,483
Charges for Services	110,378	0	0	0	0	110,378
Licenses, Permits and Fees	63,896	0	0	0	0	63,896
Investment Earnings	37,207	118,578	50,559	755,563	0	961,907
Special Assessments	0	533,970	8,059	396,246	0	938,275
Fines and Forfeitures	940,143	199,005	0	0	0	1,139,148
All Other Revenues	59,037	59,264	0	0	0	118,301
Total Revenues	<u>9,826,534</u>	<u>1,565,438</u>	<u>760,837</u>	<u>3,612,158</u>	<u>0</u>	<u>15,764,967</u>
Expenditures:						
Current:						
Security of Persons and Property	4,539,410	734,221	0	212,517	0	5,486,148
Public Health and Welfare Services	43,951	0	0	0	0	43,951
Leisure Time Activities	609,913	186,746	0	292,730	0	1,089,389
Community Environment	355,409	197,030	0	5,763	0	558,202
Basic Utility Services	1,059,222	200,933	0	1,426,976	0	2,687,131
Transportation	0	301,139	0	837,571	0	1,138,710
General Government	2,785,030	78,728	3,830	312,147	0	3,179,735
Other Expenditures	0	3,018	0	3,018	0	6,036
Debt Service:						
Principal Retirement	0	0	453,250	0	0	453,250
Interest and Fiscal Charges	0	0	100,194	103,986	0	204,180
Total Expenditures	<u>9,392,935</u>	<u>1,701,815</u>	<u>557,274</u>	<u>3,194,708</u>	<u>0</u>	<u>14,846,732</u>
Excess (Deficiency) of Revenues Over Expenditures	433,599	(136,377)	203,563	417,450	0	918,235
Other Financing Sources (Uses):						
Proceeds from the Sale of Fixed Assets	1,948	0	0	36,270	0	38,218
Operating Transfers In	0	705,000	0	1,571,938	0	2,276,938
Operating Transfers Out	(805,000)	0	(671,938)	(800,000)	0	(2,276,938)
Other Financing Sources	282,279	40,510	141	2,320	103,703	428,953
Other Financing Uses	0	0	0	0	(35,861)	(35,861)
Total Other Financing Sources (Uses)	<u>(520,773)</u>	<u>745,510</u>	<u>(671,797)</u>	<u>810,528</u>	<u>67,842</u>	<u>431,310</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	(87,174)	609,133	(468,234)	1,227,978	67,842	1,349,545
Fund Balance Beginning of Year	5,640,001	1,242,743	908,028	4,051,341	166,952	12,009,065
Decrease in Inventory Reserve	0	(9,609)	0	0	0	(9,609)
Fund Balance End of Year	<u>\$5,552,827</u>	<u>\$1,842,267</u>	<u>\$439,794</u>	<u>\$5,279,319</u>	<u>\$234,794</u>	<u>\$13,349,001</u>

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

THE CITY OF LYNDHURST, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>General Fund</u>			<u>Special Revenue Funds</u>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$7,701,377	\$7,734,549	\$33,172	\$251,056	\$252,977	\$1,921
Intergovernmental Revenues	892,822	1,029,116	136,294	403,390	418,214	14,824
Charges for Services	105,265	111,456	6,191	0	0	0
Licenses and Permits	60,200	63,896	3,696	0	0	0
Investment Earnings	0	0	0	69,127	104,014	34,887
Special Assessments	0	0	0	496,876	533,970	37,094
Fines and Forfeitures	925,000	947,025	22,025	160,100	184,254	24,154
All Other Revenues	56,670	60,614	3,944	56,500	59,164	2,664
Total Revenues	9,741,334	9,946,656	205,322	1,437,049	1,552,593	115,544
Expenditures:						
Current:						
Security of Persons and Property	4,608,641	4,435,329	173,312	1,065,625	916,279	149,346
Public Health and Welfare Services	44,000	43,951	49	0	0	0
Leisure Time Activities	646,717	615,912	30,805	205,622	186,644	18,978
Community Environment	385,402	377,908	7,494	257,000	197,982	59,018
Basic Utility Services	1,197,188	1,068,859	128,329	177,165	161,206	15,959
Transportation	0	0	0	397,943	319,589	78,354
General Government	2,961,085	2,830,230	130,855	93,000	78,166	14,834
Other Expenditures	146,980	0	146,980	3,100	3,018	82
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	9,990,013	9,372,189	617,824	2,199,455	1,862,884	336,571
Excess (Deficiency) of Revenues Over (Under) Expenditures	(248,679)	574,467	823,146	(762,406)	(310,291)	452,115
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	0	1,948	1,948	0	0	0
Proceeds from General Obligation Note:	0	0	0	0	0	0
Operating Transfers In	0	0	0	705,000	705,000	0
Operating Transfers Out	(805,000)	(805,000)	0	0	0	0
Other Financing Sources	248,000	262,443	14,443	31,300	39,675	8,375
Other Financing Uses	0	0	0	0	0	0
Total Other Financing Sources (Use)	(557,000)	(540,609)	16,391	736,300	744,675	8,375
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(805,679)	33,858	839,537	(26,106)	434,384	460,490
Fund Balance at Beginning of Year	5,314,713	5,314,713	0	1,109,320	1,109,320	0
Prior Year Encumbrances	227,646	227,646	0	164,546	164,546	0
Fund Balance at End of Year	\$4,736,680	\$5,576,217	\$839,537	\$1,247,760	\$1,708,250	\$460,490

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

(Continued)

THE CITY OF LYNDHURST, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Debt Service Fund</u>			<u>Capital Projects Funds</u>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$1,089,014	\$1,099,379	\$10,365	\$60,000	\$59,102	(\$898)
Intergovernmental Revenues	147,659	149,559	1,900	1,514,000	1,627,872	113,872
Charges for Services	0	0	0	0	0	0
Licenses and Permits	0	0	0	0	0	0
Investment Earnings	39,150	44,892	5,742	470,000	662,724	192,724
Special Assessments	8,000	8,059	59	355,926	396,246	40,320
Fines and Forfeitures	0	0	0	0	0	0
All Other Revenues	0	0	0	0	0	0
Total Revenues	<u>1,283,823</u>	<u>1,301,889</u>	<u>18,066</u>	<u>2,399,926</u>	<u>2,745,944</u>	<u>346,018</u>
Expenditures:						
Current:						
Security of Persons and Property	0	0	0	432,747	429,015	3,732
Public Health and Welfare Services	0	0	0	0	0	0
Leisure Time Activities	0	0	0	393,576	368,716	24,860
Community Environment	0	0	0	6,350	5,763	587
Basic Utility Services	0	0	0	2,727,569	2,643,679	83,890
Transportation	0	0	0	1,474,718	1,421,824	52,894
General Government	4,600	3,830	770	383,933	342,843	41,090
Other Expenditures	39,155	0	39,155	47,480	3,018	44,462
Debt Service:						
Principal Retirement	3,228,250	3,228,250	0	0	0	0
Interest and Fiscal Charges	193,895	193,851	44	0	0	0
Total Expenditures	<u>3,465,900</u>	<u>3,425,931</u>	<u>39,969</u>	<u>5,466,373</u>	<u>5,214,858</u>	<u>251,515</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,182,077)	(2,124,042)	58,035	(3,066,447)	(2,468,914)	597,533
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	0	0	0	49,000	36,270	(12,730)
Proceeds from General Obligation Note:	1,650,000	1,650,000	0	650,000	650,000	0
Operating Transfers In	0	0	0	900,000	900,000	0
Operating Transfers Out	0	0	0	(800,000)	(800,000)	0
Other Financing Sources	0	141	141	0	2,320	2,320
Other Financing Uses	0	0	0	0	0	0
Total Other Financing Sources (Uses)	<u>1,650,000</u>	<u>1,650,141</u>	<u>141</u>	<u>799,000</u>	<u>788,590</u>	<u>(10,410)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(532,077)	(473,901)	58,176	(2,267,447)	(1,680,324)	587,123
Fund Balance at Beginning of Year	908,991	908,991	0	5,619,085	5,619,085	0
Prior Year Encumbrances	0	0	0	2,072,971	2,072,971	0
Fund Balance at End of Year	<u>\$376,914</u>	<u>\$435,090</u>	<u>\$58,176</u>	<u>\$5,424,609</u>	<u>\$6,011,732</u>	<u>\$587,123</u>

(Continued)

THE CITY OF LYNDHURST, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2000

	<i>Expendable Trust Funds</i>			<i>Totals (Memorandum Only)</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$0	\$0	\$0	\$9,101,447	\$9,146,007	\$44,560
Intergovernmental Revenues	0	0	0	2,957,871	3,224,761	266,890
Charges for Services	0	0	0	105,265	111,456	6,191
Licenses and Permits	0	0	0	60,200	63,896	3,696
Investment Earnings	0	0	0	578,277	811,630	233,353
Special Assessments	0	0	0	860,802	938,275	77,473
Fines and Forfeitures	0	0	0	1,085,100	1,131,279	46,179
All Other Revenues	0	0	0	113,170	119,778	6,608
Total Revenues	0	0	0	14,862,132	15,547,082	684,950
Expenditures:						
Current:						
Security of Persons and Property	0	0	0	6,107,013	5,780,623	326,390
Public Health and Welfare Services	0	0	0	44,000	43,951	49
Leisure Time Activities	0	0	0	1,245,915	1,171,272	74,643
Community Environment	0	0	0	648,752	581,653	67,099
Basic Utility Services	0	0	0	4,101,922	3,873,744	228,178
Transportation	0	0	0	1,872,661	1,741,413	131,248
General Government	0	0	0	3,442,618	3,255,069	187,549
Other Expenditures	0	0	0	236,715	6,036	230,679
Debt Service:						
Principal Retirement	0	0	0	3,228,250	3,228,250	0
Interest and Fiscal Charges	0	0	0	193,895	193,851	44
Total Expenditures	0	0	0	21,121,741	19,875,862	1,245,879
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0	(6,259,609)	(4,328,780)	1,930,829
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	0	0	0	49,000	38,218	(10,782)
Proceeds from General Obligation Note:	0	0	0	2,300,000	2,300,000	0
Operating Transfers In	0	0	0	1,605,000	1,605,000	0
Operating Transfers Out	0	0	0	(1,605,000)	(1,605,000)	0
Other Financing Sources	96,010	103,703	7,693	375,310	408,282	32,972
Other Financing Uses	(50,400)	(35,861)	14,539	(50,400)	(35,861)	14,539
Total Other Financing Sources (Uses)	45,610	67,842	22,232	2,673,910	2,710,639	36,729
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	45,610	67,842	22,232	(3,585,699)	(1,618,141)	1,967,558
Fund Balance at Beginning of Year	166,952	166,952	0	13,119,061	13,119,061	0
Prior Year Encumbrances	0	0	0	2,465,163	2,465,163	0
Fund Balance at End of Year	\$212,562	\$234,794	\$22,232	\$11,998,525	\$13,966,083	\$1,967,558

THE CITY OF LYNDHURST, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lyndhurst, Ohio (the City) was incorporated on January 16, 1951 and is a home rule municipal corporation created under the laws of the State of Ohio. The City operates a Mayor-Council form of government.

The accompanying general purpose financial statements of the City present the financial position of the various fund types and account groups and the results of operations of the various fund types. The financial statements are presented as of December 31, 2000 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

The accompanying general purpose financial statements comply with the provisions of GASB Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, account groups, agencies, boards and commissions that are part of the primary government, which includes the following services: fire and police protection, emergency medical response, parks, recreation, planning, zoning, street construction and maintenance, refuse collection and other governmental services.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures (expenses). The various funds are summarized by type in the general purpose financial statements. The following fund types and account groups are used by the City:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Governmental Funds

The governmental funds are those funds through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary fund) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the City's governmental fund types:

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

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

Debt Service Fund - This fund is used for the accumulation of resources for, and the payment of, general obligation long-term debt principal and interest.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Fiduciary Funds

Trust and Agency Funds - These funds are used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City maintains both an expendable trust fund and agency funds. The expendable trust fund is accounted for and reported similarly to governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

General Fixed Assets Account Group - This account group is established to account for fixed assets of the City.

General Long-Term Obligations Account Group - This account group is established to account for all long-term debt and other long-term obligations of the City.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses in the accounts and reported in the financial statements, and relates to the timing of the measurements made. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds and expendable trust and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Revenue considered susceptible to accrual at year end includes income taxes withheld by employers, interest on investments, and state levied locally shared taxes (including motor vehicle license fees and local government assistance). Other revenue, including licenses, permits, certain charges for services, income taxes other than those withheld by employers and miscellaneous revenues, is recorded as revenue when received in cash because it is generally not measurable until received.

D. Budgetary Process

The budgetary process is prescribed by Charter and by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.

All funds, other than agency funds, are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. Budgetary modifications above the major object level by fund may only be made by ordinance of the City Council.

1. Tax Budget

The Mayor submits an annual tax budget for the following fiscal year to City Council by July 15 for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the period January 1 to December 31 of the following year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2000.

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level, and may be modified during the year by ordinance of the City Council. Total fund appropriations may not exceed the current estimated resources as certified by the County Budget Commission. Expenditures may not legally exceed budgeted appropriations at the object level. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying general purpose financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

5. Lapsing of Appropriations

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 subsequent fiscal year and need not be reappropriated.

6. Budgetary Basis of Accounting

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the governmental funds:

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses				
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expendable Trust Funds
GAAP Basis (as reported)	(\$87,174)	\$609,133	(\$468,234)	\$1,227,978	\$67,842
Increase (Decrease):					
Accrued Revenues at December 31, 2000 received during 2001	(381,194)	(69,852)	(3,019)	(424,834)	0
Accrued Revenues at December 31, 1999 received during 2000	518,687	58,988	1,481	153,071	0
Accrued Expenditures at December 31, 2000 paid during 2001	618,792	205,799	0	89,942	0
Accrued Expenditures at December 31, 1999 paid during 2000	(412,811)	(115,263)	0	(998,413)	0
1999 Prepays for 2000	6,668	0	0	0	0
2000 Prepays for 2001	(9,907)	0	0	0	0
Fund Debt:					
Note Proceeds	0	0	0	2,300,000	0
Note Retirements	0	0	0	(2,775,000)	0
1999 Adjustment to Fair Value	(14,902)	0	(2,444)	(20,373)	0
2000 Adjustment to Fair Value	(22,305)	(2,816)	(1,685)	(27,359)	0
Outstanding Encumbrances	(181,996)	(251,605)	0	(1,205,336)	0
Budget Basis	<u>\$33,858</u>	<u>\$434,384</u>	<u>(\$473,901)</u>	<u>(\$1,680,324)</u>	<u>\$67,842</u>

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, the State Treasury Asset Reserve (STAR Ohio) and short-term certificates of deposit. The certificates of deposit are considered cash equivalents because they are highly liquid investments with original maturity dates of three months or less.

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and cash equivalents represents the balance on hand as if each fund maintained its own cash and cash equivalent account. See Note 3, "Cash, Cash Equivalents and Investments."

F. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City records all its investments at fair value except for nonparticipating investment contracts (certificates of deposit) which are reported at cost. The City allocates interest among the various funds based upon applicable legal and administrative requirements. See Note 3, "Cash, Cash Equivalents and Investments."

The City has invested funds in the STAR Ohio during 2000. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2000.

G. Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds. The cost of inventory items are recorded as expenditures in the governmental and expendable trust funds when purchased.

H. Fixed Assets and Depreciation

The accounting and reporting treatment applied to fixed assets is determined by their ultimate use. Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at fair market value at the date received.

Fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, have not been capitalized. Such assets normally are immovable and of value only to the City; therefore, the purpose of stewardship for capital expenditures can be satisfied without recording these assets.

The City has elected not to record depreciation in the General Fixed Assets Account Group.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	General Bond Retirement Fund
Special Assessment Bonds	General Bond Retirement Fund
Compensated Absences	General Fund Street Construction, Maintenance and Repair Fund
Accrued Police and Fire Pension Liability	Police Pension Fund Fire Pension Fund

J. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

For governmental funds, the portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." The long-term portion of the liability is reported in the General Long-Term Obligations Account Group.

K. Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

L. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds. Interfund transactions are generally classified as follows:

- Operating transfers are reported as "Other Financing Sources and Uses" in the governmental funds, as "Operating Transfers In" by the recipient fund, and "Operating Transfers Out" by the disbursing fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Interfund Transactions (Continued)

- Residual equity transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance. The City did not perform any residual equity transfers in 2000.

Transactions that would be treated as revenues and expenditures/expenses if the transactions involved organizations external to the City are similarly treated when involving other funds of the City. The City also advances cash from one fund to another as necessary to meet current obligations.

M. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for supplies inventory, prepaid items, debt service and encumbered amounts that have not been accrued at year end.

N. Total Columns on Combined Financial Statements - Overview

Total columns on the "Combined Financial Statements - Overview" are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

A. Fund Deficits

The fund deficit at December 31, 2000 of \$123,932 in the Street Improvement Fund (capital projects) arose from recording notes payable amounts in the individual fund balance sheet. Deficits do not exist under the cash basis of accounting. The general fund provides operating transfers when cash is required, not when accruals occur.

B. Excess of Expenditures Over Appropriations

Section 5705.41 (D), Revised Code, requires that encumbrances be charged against proper appropriations. Section 5705.41 (B), prohibits the City from making an expenditure unless it has been properly appropriated. For the year ended December 31, 2000, expenditures plus encumbrances exceeded appropriations at the object level (i.e., the legal level of budgetary control) as follows:

<u>Fund</u>	<u>Excess</u>
<u>General Fund:</u>	
<u>Security of Persons and Property:</u>	
Communications:	
Salaries and Wages	\$3,927
<u>General Government:</u>	
Court:	
Salaries and Wages	2,612
Public Lands and Building:	
Other Expenses	13,666

The excess expenditures were funded from available fund balances.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of a majority of individual funds are combined to form a pool of cash and investments. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents." Ohio law requires the classification of funds held by the City into three categories:

Category 1 consists of "active" funds - those funds required to be kept in "cash" or "cash equivalent" status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current two year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- Bonds, notes or other obligations guaranteed by the United States, or those for which the faith of the United States is pledged for payment of principal and interest;
- Bonds, notes, debentures or other obligations or securities issued by any federal government agency or the Export-Import Bank of Washington;
- Repurchase agreements collateralized by securities enumerated above;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 110% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, "*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*," collateral held in single financial collateral pools with securities being held by the pledging financial institutions' agent in the pool's name are classified as Category 3.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

The GASB has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

Investments:

- Category 1 Insured or registered, with securities held by the City or its agent in the City's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent, but not in the City's name.

A. Deposits

At year end the carrying amount of the City's deposits was \$7,744,806, and the bank balance was \$7,757,966. Federal depository insurance covered \$364,074 of the bank balance. All remaining deposits were classified as Category 3.

B. Investments

The City's investments at December 31, 2000 are summarized below:

<u>Categorized Investments</u>	<u>Category 1</u>	<u>Category 3</u>	<u>Fair Value</u>
City of Lyndhurst Special Assessment Bonds			
Richmond Road Sewer S.A. Bond	\$8,000	\$0	\$8,000
Portage Commodore S.A. Bond	39,000	0	39,000
Federal Agencies	<u>0</u>	<u>6,468,833</u>	<u>6,468,833</u>
Total Categorized Investments	<u>47,000</u>	<u>6,468,833</u>	<u>6,515,833</u>
 <u>Noncategorized Investments</u>			
STAR Ohio	<u>N/A</u>	<u>N/A</u>	<u>1,809,297</u>
Total Investments	<u>\$47,000</u>	<u>\$6,468,833</u>	<u>\$8,325,130</u>

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Investments with an original maturity of three months or less are treated as cash and cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note is based on criteria set forth in GASB Statement No. 3.

A reconciliation between classifications of cash and investments on the combined financial statements and the classifications per items A and B of this note are as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Combined Balance Sheet	\$2,554,103	\$13,515,833
Certificates of Deposit with original maturities greater than 90 days	7,000,000	(7,000,000)
STAR Ohio	<u>(1,809,297)</u>	<u>1,809,297</u>
Per GASB Statement No. 3	<u><u>\$7,744,806</u></u>	<u><u>\$8,325,130</u></u>

NOTE 4 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2000 were levied after October 1, 1999 on assessed values as of January 1, 1999, the lien date. Assessed values were established by the County Auditor at 35% of appraised market value. All property is required to be reappraised every six years, and equalization adjustments are made in the third year following reappraisal. The last revaluation was completed in 2000. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder is payable by June 20.

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

NOTE 4 – TAXES (Continued)

A. Property 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 is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

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

The full tax rate for all City operations for the year ended December 31, 2000 was \$11.50 per \$1,000 of assessed value. The assessed value upon which the 2000 levy was based was \$386,510,461. This amount constitutes \$369,954,617 in real property assessed value, \$7,764,300 in public utility assessed value and \$8,791,544 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is 1.15% (11.5 mills) of assessed value.

B. Income Tax

The City levies a tax of 1.5% on substantially all income earned within the City. In addition, residents of the City are required to pay City income tax on income they earn outside the City. However, the City allows a credit of a maximum of 50% of the first one and one-half percent of income tax paid to another municipality.

Employers within the City are required to withhold income tax on employees compensation and remit the tax either monthly or quarterly, as required, to the Regional Income Tax Agency which serves as the City's agent for collection of their income tax. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. All income tax proceeds are received by the General Fund.

NOTE 5 - RECEIVABLES

Receivables at December 31, 2000 consisted of taxes, special assessments, interest, accounts receivable, interfund receivables and intergovernmental receivables arising from shared revenues. All receivables other than those offset by deferred revenues are considered collectible in full.

NOTE 6 - INTERFUND BALANCES

The following is a summary of interfund receivables and payables for all funds for 2000:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$78,093	\$0
Special Revenue Funds:		
Municipal Court EDP Fund	6,697	0
Indigent Driver/DUI Fund	700	0
Court Special Project Fund	<u>12,773</u>	<u>0</u>
Total Special Revenue Funds	20,170	0
Agency Fund:		
Municipal Court Fund	<u>0</u>	<u>98,263</u>
Totals	<u><u>\$98,263</u></u>	<u><u>\$98,263</u></u>

NOTE 7 - OPERATING TRANSFERS

The following is a summary of operating transfers in and out for all funds for 2000:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$0	\$805,000
Special Revenue Funds:		
Community Center Fund	165,000	0
Sewer Maintenance and Repair Special Assessment Fund	200,000	0
Police Pension Fund	175,000	0
Fire Pension Fund	<u>165,000</u>	<u>0</u>
Total Special Revenue Funds	705,000	0
Debt Service Fund:		
General Bond Retirement Fund	0	671,938
Capital Projects Funds:		
Street Improvement Fund	1,071,938	0
Sidewalk Construction Maintenance & Repair Fund	100,000	0
Sewer Construction Fund	400,000	0
Capital Reserve Fund	<u>0</u>	<u>800,000</u>
Total Capital Projects Funds	<u>1,571,938</u>	<u>800,000</u>
Totals	<u><u>\$2,276,938</u></u>	<u><u>\$2,276,938</u></u>

NOTE 8 - FIXED ASSETS

Summary by category of changes in General Fixed Assets:

<u>Category</u>	<u>December 31, 1999</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2000</u>
Land	\$394,193	\$0	\$0	\$394,193
Buildings	8,378,833	48,658	(4,500)	8,422,991
Improvements Other Than Buildings	1,360,602	151,686	0	1,512,288
Machinery and Equipment	<u>6,502,092</u>	<u>556,226</u>	<u>(223,436)</u>	<u>6,834,882</u>
Total General Fixed Assets	<u><u>\$16,635,720</u></u>	<u><u>\$756,570</u></u>	<u><u>(\$227,936)</u></u>	<u><u>\$17,164,354</u></u>

NOTE 8 - FIXED ASSETS (Continued)

Schedule of General Fixed Assets by source at December 31, 2000:

Category	December 31, 1999	Additions	Deletions	December 31, 2000
General Fund	\$895,868	\$22,685	(\$24,920)	\$893,633
Special Revenue Funds	488,905	4,767	(2,229)	491,443
Capital Projects Funds	15,250,947	729,118	(200,787)	15,779,278
Total General Fixed Assets	\$16,635,720	\$756,570	(\$227,936)	\$17,164,354

NOTE 9 – DEFINED BENEFIT PENSION PLANS

All of the City’s full-time employees participate in one of two separate retirement systems which are cost-sharing multiple employer defined benefit pension plans.

A. Public Employees Retirement System (the “PERS of Ohio”)

The following information was provided by the PERS of Ohio to assist the City in complying with GASB Statement No. 27, *“Accounting for Pensions by State and Local Government Employers.”*

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in the PERS of Ohio, a cost-sharing multiple employer defined benefit pension plan. The PERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Public Employees Retirement System of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the PERS of Ohio. 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 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The Retirement Board instituted a temporary employer contribution rate rollback for calendar year 2000. The rate rollback was 20% for state and local government divisions. The 2000 employer contribution rate for local government employer units was 10.84%, of covered payroll, 6.54% to fund the pension and 4.3% to fund health care. The 1999 and 1998 employer contribution rates were 13.55%. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City’s contributions to the PERS of Ohio for the years ending December 31, 2000, 1999 and 1998 were \$341,601, \$404,881 and \$360,685, respectively, which were equal to the required contributions for each year.

The PERS of Ohio provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

A. Public Employees Retirement System (the “PERS of Ohio”) (Continued)

coverage provided by the PERS of Ohio is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the PERS of Ohio. The portion of the 2000 employer contribution rate (identified above) that was used to fund health care for the year 2000 was 4.3% of covered payroll which amounted to \$135,506.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio's latest actuarial review performed as of December 31, 1999. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. 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 investment assets. The investment assumption rate for 1999 was 7.75%. 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 costs were assumed to increase 4.75% annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 401,339. The actuarial value of the PERS of Ohio net assets available for OPEB at December 31, 1999 is \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million, respectively.

B. Ohio Police and Fire Pension Fund (the “OP&F Fund”)

All City full-time police officers and full-time firefighters participate in the OP&F Fund, a cost-sharing multiple-employer defined benefit pension plan. The OP&F Fund 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 Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the OP&F Fund. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2000, 1999 and 1998 were \$342,473, \$331,127 and \$274,744 for police and \$324,577, \$287,760 and \$275,423 for firefighters, respectively, which were equal to the required contributions for each year.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

B. Ohio Police and Fire Pension Fund (the “OP&F Fund”) (Continued)

The OP&F Fund provides postemployment health care coverage to any person who received 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 on a full-time or two-thirds basis. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 2000 covered payroll that was used to fund postemployment health care benefits was \$127,330 representing 7.25% of covered payroll for police and \$98,049 representing 7.25% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. 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. As of December 31, 1999, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 12,467 for police and 9,807 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 1999 were \$95,004,633, which was net of member contributions of \$5,518,098.

NOTE 10– COMPENSATED ABSENCES

The costs of vacation and sick leave benefits are recorded as they are earned. Employees earn sick and vacation leave at varying rates based upon length of service. Upon retirement, and in certain instances, termination, an individual will be compensated for their accumulated sick leave at a maximum rate of 45% of the balance.

As of December 31, 2000, the liability for unpaid compensated absences was \$585,533 for all funds of the City. The entire balance of compensated absences was considered long-term since no payments were anticipated which would require the use of current available financial resources. The liability has been reported in the General Long-Term Obligations Account Group.

NOTE 11 - CONSTRUCTION COMMITMENTS

As of December 31, 2000, the City had the following commitments with respect to capital projects:

Project	Remaining Construction Commitment	Expected Date of Completion
Watermain	\$407,439	June 2001
Sewer Rehabilitation	276,024	September 2001
Total	<u>\$683,463</u>	

NOTE 12 - NOTES PAYABLE

The Ohio Revised Code provides that notes including renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. The maximum maturity for notes anticipating general obligation bonds payable from special assessments is five years. Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts at least equal to, and payable no later than, those principal maturities required if the bonds had been issued at the expiration of the initial five year period. Bond anticipation notes may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the notes, or from available funds of the City or a combination of these sources.

Issue	Balance 01/01/2000	Issued (Retired)	Balance 12/31/2000
Bond Anticipation Notes:			
3.375% Street Improvement	\$650,000	(\$650,000)	\$0
4.625% Street Improvement	0	650,000	650,000
3.375% Community Center	1,800,000	(1,800,000)	0
4.625% Community Center	0	1,500,000	1,500,000
3.375% Fire Truck	325,000	(325,000)	0
4.625% Fire Truck	0	150,000	150,000
Total Notes Payable	<u>\$2,775,000</u>	<u>(\$475,000)</u>	<u>\$2,300,000</u>

NOTE 13 - LONG-TERM OBLIGATIONS

Activity in the General Long-Term Obligations Account Group in 2000 was as follows:

	Balance December 31, 1999	Issued (Retired)	Balance December 31, 2000
General Long-Term Debt:			
General Obligation Bonds:			
Ohio Public Works Commission			
Euclid Creek	\$33,750	(\$11,250)	\$22,500
5.625% Street Improvement			
Various Purpose Bonds	2,210,000	(435,000)	1,775,000
Total General Obligation Bonds	<u>2,243,750</u>	<u>(446,250)</u>	<u>1,797,500</u>
Special Assessment Bonds:			
10.000% Richmond Road Sewer	10,000	(2,000)	8,000
8.000% Portage Commodore	44,000	(5,000)	39,000
Total Special Assessment Bonds	<u>54,000</u>	<u>(7,000)</u>	<u>47,000</u>
with Governmental Commitment			
Total General Long-Term Debt	<u>2,297,750</u>	<u>(453,250)</u>	<u>1,844,500</u>
Other Long-Term Obligations:			
Compensated Absences	537,052	48,481	585,533
Intergovernmental Payable - Accrued Pension	138,326	40,740	179,066
Police and Fire Pension Accrued Liability	67,441	(848)	66,593
Total Other Long-Term Obligations	<u>742,819</u>	<u>88,373</u>	<u>831,192</u>
Total General Long-Term Debt and Other Long-Term Obligations	<u>\$3,040,569</u>	<u>(\$364,877)</u>	<u>\$2,675,692</u>

Special assessment debt service is financed by assessments to affected property owners. However, the City is ultimately responsible for the debt service if the assessments are not collected. Delinquent special assessments related to outstanding special assessment bonded debt at year end were \$284.

The City's future long-term obligation funding requirements, including principal and interest payments as of December 31, 2000, follow:

Years	General Obligation Bonds		Special Assessment Bonds		Police and Fire Pension
	Principal	Interest	Principal	Interest	Accrued Liability Principal and Interest
2001	\$461,250	\$75,685	\$7,000	\$3,920	\$3,705
2002	481,250	57,375	7,000	3,320	3,705
2003	495,000	37,545	7,000	2,720	3,705
2004	360,000	16,020	6,000	2,120	3,705
2005	0	0	4,000	1,600	3,705
2006-2010	0	0	16,000	3,200	18,525
2011-2015	0	0	0	0	18,525
2016-2020	0	0	0	0	18,525
2021-2035	0	0	0	0	53,021
Totals	<u>\$1,797,500</u>	<u>\$186,625</u>	<u>\$47,000</u>	<u>\$16,880</u>	<u>\$127,121</u>

NOTE 14 - 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; and natural disasters. During 2000 the City contracted with several different insurance providers for various insurance coverages, as follows:

<u>Insurance Provider</u>	<u>Coverage</u>	<u>Deductible</u>
Clarendon Insurance Company	Automobile	\$100 Comprehensive; \$1,000 Collision
Clarendon Insurance Company	General Liability	\$0
Clarendon Insurance Company	Property Casualty	\$1,000
Clarendon Insurance Company	Inland Marine	\$0
Arkwright Insurance Company	Boiler and Machinery	\$1,000
Clarendon Insurance Company	Police Liability	\$5,000
Clarendon Insurance Company	Public Officials Liability	\$5,000
Clarendon Insurance Company	Umbrella	\$0
Clarendon Insurance Company	Fire Department	\$0

Settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

Workers' compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

NOTE 15 - CONTINGENCIES

The City is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect on the financial condition of the City.

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

The Honorable Mayor and Members of City Council
City of Lyndhurst
Lyndhurst, Ohio

We have audited the general purpose financial statements of the City of Lyndhurst, Ohio as of and for the year ended December 31, 2000 and have issued our report thereon dated June 15, 2001, as listed in the table of contents. 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 the City's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated June 15, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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 the management of the City in a separate letter dated June 15, 2001.

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

Charles E. Harris & Associates, Inc.
June 15, 2001

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of December 31, 1999, did not include material citations recommendations.



STATE OF OHIO
OFFICE OF THE AUDITOR

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CITY OF LYNDHURST

CUYAHOGA 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
AUGUST 2, 2001**