



**CITY OF AVON LAKE
LORAIN COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF AVON LAKE
LORAIN COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 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.

Jim Petro
Auditor of State

November 16, 2001

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City of Avon Lake
 Combined Balance Sheet
 All Fund Types and Account Groups
 December 31, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets				
Cash and Cash Equivalents	\$4,403,856	\$3,641,608	\$620,389	\$1,409,520
Cash and Cash Equivalents with Fiscal and Escrow Agents	0	0	1,029	225,949
Receivables:				
Taxes	3,154,586	2,045,438	0	0
Accounts	20,617	43,995	0	0
Special Assessments	0	0	4,983,391	0
Interfund	0	100,000	0	0
Intergovernmental	330,931	69,461	0	0
Materials and Supplies Inventory	22,121	54,509	0	0
Unamortized Bond Issue Costs and Discounts	0	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	0	0	0	0
Fixed Assets (Net of Accumulated Depreciation In Enterprise Funds)	0	0	0	0
Other Debits:				
Amount To Be Provided for Benefits	0	0	0	0
Amount Available in Debt Service Fund for Retirement of General Obligation Debt	0	0	0	0
Amount to be Provided for General Long-Term Debt	0	0	0	0
Total Assets and Other Debits	<u>\$7,932,111</u>	<u>\$5,955,011</u>	<u>\$5,604,809</u>	<u>\$1,635,469</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities				
Accounts and Contracts Payable	\$63,711	\$57,792	\$0	\$311,078
Retainage Payable	0	0	0	225,949
Accrued Wages and Benefits	186,732	49,845	0	0
Deferred Revenue	3,410,527	1,778,963	4,983,391	0
Deposits Held and Due to Others	0	0	0	0
Intergovernmental Payable	3,984	180,688	0	0
Interfund Payables	0	0	0	100,000
Matured Bonds and Interest Payable	0	0	1,029	0
Interest Payable	0	0	0	0
Police and Fire Pension Liability	0	0	0	0
Landfill Postclosure Costs	0	0	0	0
Capital Leases Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
General Obligation Debt Payable	0	0	0	0
Revenue Bonds Payable	0	0	0	0
Total Liabilities	<u>3,664,954</u>	<u>2,067,288</u>	<u>4,984,420</u>	<u>637,027</u>
Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Unreserved Retained Earnings	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	55,242	205,886	0	820,836
Reserved for Inventory	22,121	54,509	0	0
Unreserved, Undesignated	4,189,794	3,627,328	620,389	177,606
Total Fund Equity and Other Credits	<u>4,267,157</u>	<u>3,887,723</u>	<u>620,389</u>	<u>998,442</u>
Total Liabilities, Equity and Other Credits	<u>\$7,932,111</u>	<u>\$5,955,011</u>	<u>\$5,604,809</u>	<u>\$1,635,469</u>

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Debt	
Enterprise	Trust and Agency			
\$12,813,807	\$353,712	\$0	\$0	\$23,242,892
0	31,347	0	0	258,325
0	0	0	0	5,200,024
386,152	0	0	0	450,764
0	0	0	0	4,983,391
0	0	0	0	100,000
1,450,000	0	0	0	1,850,392
39,768	0	0	0	116,398
570,896	0	0	0	570,896
1,343,684	0	0	0	1,343,684
55,674,710	0	17,231,674	0	72,906,384
0	0	0	662,782	662,782
0	0	0	620,389	620,389
0	0	0	10,886,374	10,886,374
\$72,279,017	\$385,059	\$17,231,674	\$12,169,545	\$123,192,695
\$1,059,272	\$0	\$0	\$0	\$1,491,853
0	0	0	0	225,949
244,337	0	0	662,782	1,143,696
0	0	0	0	10,172,881
0	123,202	0	0	123,202
74,258	0	0	0	258,930
0	0	0	0	100,000
0	0	0	0	1,029
249,289	0	0	0	249,289
0	0	0	118,239	118,239
0	0	0	1,040,000	1,040,000
0	0	0	95,646	95,646
8,227,501	0	0	9,534,627	17,762,128
9,728,255	0	0	718,251	10,446,506
15,258,943	0	0	0	15,258,943
34,841,855	123,202	0	12,169,545	58,488,291
0	0	17,231,674	0	17,231,674
28,838,977	0	0	0	28,838,977
8,598,185	0	0	0	8,598,185
0	0	0	0	1,081,964
0	0	0	0	76,630
0	261,857	0	0	8,876,974
37,437,162	261,857	17,231,674	0	64,704,404
\$72,279,017	\$385,059	\$17,231,674	\$12,169,545	\$123,192,695

City of Avon Lake
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
 For the Year Ended December 31, 2000

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		Fund Type Expendable Trust
Revenues						
Municipal Income Tax	\$0	\$6,743,553	\$0	\$0	\$0	\$6,743,553
Property and Other Taxes	2,505,723	934,968	0	0	0	3,440,691
Charges for Services	117,670	192,108	0	11,400	113,524	434,702
Licenses and Permits	465,225	140,325	0	0	0	605,550
Fines and Forfeits	150,516	12,480	0	0	0	162,996
Intergovernmental	1,440,785	522,041	0	94,053	0	2,056,879
Special Assessments	0	0	89,533	223,050	0	312,583
Interest	0	1,059,240	0	31,126	16,026	1,106,392
Other	38,161	297	0	0	0	38,458
Total Revenues	4,718,080	9,605,012	89,533	359,629	129,550	14,901,804
Expenditures						
Current:						
General Government	2,067,121	272,958	7,299	0	0	2,347,378
Security of Persons and Property	3,823,874	337,627	0	0	0	4,161,501
Public Health and Welfare	56,375	20,760	0	0	0	77,135
Transportation	942,465	780,512	0	0	0	1,722,977
Community Environment	248,295	5,876	0	0	0	254,171
Basic Utility Services	737,172	56,597	0	0	0	793,769
Leisure Time Activities	915,624	207,877	0	0	0	1,123,501
Capital Outlay	0	1,494,211	0	3,381,486	0	4,875,697
Debt Service:						
Principal Retirement	0	63,935	60,730	8,000,000	114,425	8,239,090
Interest and Fiscal Charges	0	3,803	83,170	283,550	15,814	386,337
Total Expenditures	8,790,926	3,244,156	151,199	11,665,036	130,239	23,981,556
Excess Revenues Over (Under) Expenditures	(4,072,846)	6,360,856	(61,666)	(11,305,407)	(689)	(9,079,752)
Other Financing Sources (Uses)						
Sale of Note	0	0	10,000	9,006,853	0	9,016,853
Operating Transfers In	4,725,000	2,058,725	0	561,500	0	7,345,225
Operating Transfers Out	(461,800)	(7,165,525)	0	0	0	(7,627,325)
Total Other Financing Sources (Uses)	4,263,200	(5,106,800)	10,000	9,568,353	0	8,734,753
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	190,354	1,254,056	(51,666)	(1,737,054)	(689)	(344,999)
Fund Balances Beginning of Year	4,079,217	2,637,915	672,055	2,735,496	262,546	10,387,229
(Decrease) in Reserve of Inventory	(2,414)	(4,248)	0	0	0	(6,662)
Fund Balances End of Year	\$4,267,157	\$3,887,723	\$620,389	\$998,442	\$261,857	\$10,035,568

City of Avon Lake
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual (Non-GAAP Basis)
 All Governmental Fund Types
General Fund
 For the Year Ended December 31, 2000

	Revised Budget	Actual	Encumbrances	Actual Plus Encumbrances	Variance
Revenues					
Property and Other Taxes	\$3,481,300	\$3,834,141		\$3,834,141	\$352,841
Charges for Services	146,000	118,375		118,375	(27,625)
Licenses and Permits	291,000	470,251		470,251	179,251
Fines and Forfeits	139,900	150,828		150,828	10,928
Intergovernmental	85,000	75,006		75,006	(9,994)
Other	11,244	36,963		36,963	25,719
Total Revenues	4,154,444	4,685,564		4,685,564	531,120
Expenditures					
Current:					
General Government	2,335,168	2,115,568	\$35,083	2,150,651	184,517
Security of Persons and Property	4,211,298	4,033,286	11,362	4,044,648	166,650
Public Health and Welfare	84,167	56,375	10,083	66,458	17,709
Transportation	1,096,210	1,045,045	21,336	1,066,381	29,829
Community Environment	278,350	264,812	1,884	266,696	11,654
Basic Utility Services	759,480	720,128	0	720,128	39,352
Leisure Time Activities	986,142	923,434	1,200	924,634	61,508
Total Expenditures	9,750,815	9,158,648	80,948	9,239,596	511,219
Excess of Revenues (Under) Expenditures	(5,596,371)	(4,473,084)	(80,948)	(4,554,032)	1,042,339
Other Financing Sources (Uses)					
Transfers-In	4,500,000	4,725,000	0	4,725,000	225,000
Transfers-Out	(461,800)	(461,800)	0	(461,800)	0
Total Other Financing Sources	4,038,200	4,263,200	0	4,263,200	225,000
Excess of Revenues and Other Financing Sources (Under) Expenditures and Other Financing Uses	(1,558,171)	(209,884)	(\$80,948)	(\$290,832)	\$1,267,339
Fund Balance Beginning of Year	4,613,740	4,613,740			
Fund Balance End of Year	\$3,055,569	\$4,403,856			

See Notes to General Purpose Financial Statements

City of Avon Lake
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual (Non-GAAP Basis)
 All Governmental Fund Types - continued
Special Revenue Funds
 For the Year Ended December 31, 2000

	Revised Budget	Actual	Encumbrances	Actual Plus Encumbrances	Variance
Revenues					
Municipal Income Tax	\$6,000,000	\$6,995,686		\$6,995,686	\$995,686
Property and Other Tax	1,832,043	1,572,016		1,572,016	(260,027)
Charges for Services	1,700	8,745		8,745	7,045
Licenses and Permits	130,382	143,389		143,389	13,007
Fines and Forfeits	32,200	26,449		26,449	(5,751)
Intergovernmental	62,403	48,737		48,737	(13,666)
Interest	600,000	850,758		850,758	250,758
Other	200	323		323	123
Total Revenues	<u>8,658,928</u>	<u>9,646,103</u>		<u>9,646,103</u>	<u>987,175</u>
Expenditures					
Current:					
General Government	423,776	359,843	\$5,000	364,843	58,933
Security of Persons and Property	978,014	858,387	1,550	859,937	118,077
Public Health and Welfare	22,500	20,760	0	20,760	1,740
Transportation	1,060,908	834,775	59,168	893,943	166,965
Community Environment	3,162	3,064	0	3,064	98
Leisure Time Activities	458,047	102,626	984	103,610	354,437
Capital Outlay	1,985,243	1,494,211	193,977	1,688,188	297,055
Debt Service:					
Principal Retirement	64,068	63,935	0	63,935	133
Interest and Fiscal Charges	4,394	3,803	0	3,803	591
Total Expenditures	<u>5,000,112</u>	<u>3,741,404</u>	<u>260,679</u>	<u>4,002,083</u>	<u>998,029</u>
Excess of Revenues Over (Under) Expenditures	<u>3,658,816</u>	<u>5,904,699</u>	<u>(260,679)</u>	<u>5,644,020</u>	<u>1,985,204</u>
Other Financing Sources (Uses)					
Transfers-In	2,158,725	2,058,725	0	2,058,725	(100,000)
Transfers-Out	(6,731,700)	(6,731,700)	0	(6,731,700)	0
Total Other Financing (Uses)	<u>(4,572,975)</u>	<u>(4,672,975)</u>	<u>0</u>	<u>(4,672,975)</u>	<u>(100,000)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(914,159)</u>	<u>1,231,724</u>	<u>(\$260,679)</u>	<u>\$971,045</u>	<u>\$1,885,204</u>
Fund Balance Beginning of Year	2,409,884	2,409,884			
Fund Balance End of Year	<u>\$1,495,725</u>	<u>\$3,641,608</u>			

See Notes to General Purpose Financial Statements

City of Avon Lake
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual (Non-GAAP Basis)
 All Governmental Fund Types - continued
Debt Service Funds
 For the Year Ended December 31, 2000

	<u>Revised Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Actual Plus Encumbrances</u>	<u>Variance</u>
Revenues					
Special Assessments	\$200,000	\$89,532		\$89,532	(\$110,468)
Interest	6,000	0		0	(6,000)
Total Revenues	<u>206,000</u>	<u>89,532</u>		<u>89,532</u>	<u>(116,468)</u>
Expenditures					
Principal	70,000	60,730	\$0	60,730	9,270
Interest and Fiscal Charges	109,812	90,468	0	90,468	19,344
Total Expenditures	<u>179,812</u>	<u>151,198</u>	<u>0</u>	<u>151,198</u>	<u>28,614</u>
Excess of Revenues Over (Under) Expenditures	26,188	(61,666)	0	(61,666)	(87,854)
Other Financing Sources					
Sale of Note	0	10,000	0	10,000	10,000
Total Other Financing Sources	<u>0</u>	<u>10,000</u>	<u>0</u>	<u>10,000</u>	<u>10,000</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	26,188	(51,666)	<u>\$0</u>	<u>(\$51,666)</u>	<u>(\$77,854)</u>
Fund Balance Beginning of Year	672,055	672,055			
Fund Balance End of Year	<u>\$698,243</u>	<u>\$620,389</u>			

See Notes to General Purpose Financial Statements

City of Avon Lake
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual (Non-GAAP Basis)
 All Governmental Fund Types - continued
Capital Projects Funds
 For the Year Ended December 31, 2000

	Revised Budget	Actual	Encumbrances	Actual Plus Encumbrances	Variance
Revenues					
Special Assessments	\$246,100	\$226,671		\$226,671	(\$19,429)
Charges for Services	45,000	11,400		11,400	(33,600)
Intergovernmental	129,000	125,718		125,718	(3,282)
Interest	18,200	30,280		30,280	12,080
Total Revenues	438,300	394,069		394,069	(44,231)
Expenditures					
Capital Outlay	2,398,025	4,556,424	\$1,062,611	5,619,035	(3,221,010)
Debt Service:					
Principal Retirement	8,000,000	8,000,000	0	8,000,000	0
Interest and Fiscal Charges	283,550	283,550	0	283,550	0
Total Expenditures	10,681,575	12,839,974	1,062,611	13,902,585	(3,221,010)
Excess of Revenues (Under) Expenditures	(10,243,275)	(12,445,905)	(1,062,611)	(13,508,516)	(3,265,241)
Other Financing Sources					
Sale of Notes	10,039,500	9,007,700	0	9,007,700	(1,031,800)
Transfers-In	561,500	561,500	0	561,500	0
Total Other Financing Sources	10,601,000	9,569,200	0	9,569,200	(1,031,800)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	357,725	(2,876,705)	<u>(\$1,062,611)</u>	<u>(\$3,939,316)</u>	<u>(\$4,297,041)</u>
Fund Balance Beginning of Year	4,512,174	4,512,174			
Fund Balance End of Year	<u>\$4,869,899</u>	<u>\$1,635,469</u>			

See Notes to General Purpose Financial Statements

City of Avon Lake
 Combined Statement of Revenues, Expenses
 and Changes in Fund Equity
Proprietary Fund Type
 For the Year Ended December 31, 2000

	Enterprise
Operating Revenues	
Charges for Services	\$14,569,389
Other	61,137
	14,630,526
Operating Expenses	
Personal Services	1,977,001
Contractual Services	8,519,152
Materials and Supplies	1,637,010
Depreciation	1,058,358
	13,191,521
Operating Income	1,439,005
Non-Operating Revenues (Expenses)	
Operating Grants	97,414
Earnings on Investments	391,927
Interest and Fiscal Charges	(1,723,765)
	(1,234,424)
Income Before Operating Transfers	204,581
Operating Transfers	
Operating Transfers-In	3,015,407
Operating Transfers-Out	(2,733,307)
	282,100
Net Income	486,681
Retained Earnings Beginning of Year	8,111,504
	\$8,598,185
Contributed Capital Beginning of Year	27,780,916
Current Year Contributions	1,058,061
	28,838,977
Total Fund Equity End of Year	\$37,437,162

See Notes to General Purpose Financial Statements

City of Avon Lake
 Combined Statement of Cash Flows
Proprietary Fund Type
 For the Year Ended December 31, 2000

**INCREASE IN CASH
 AND CASH EQUIVALENTS**

	Enterprise
Cash Flows From Operating Activities	
Cash Received from Customers and Users	\$14,934,085
Cash Paid to Suppliers	(9,871,006)
Cash Paid to Employees	(2,129,133)
Net Cash Provided By Operating Activities	2,933,946
Cash Flows From Noncapital Financing Activities	
Operating Grants	97,414
Transfers-In	3,015,407
Transfers-Out	(2,733,307)
Net Cash Provided By Noncapital Financing Activities	379,514
Cash Flows From Capital and Related Financing Activities	
Purchase of Fixed Assets	(3,023,580)
Principal Collected on Intergovernmental Loan	61,000
Proceeds from Capital Debt	9,528,251
Principal Repaid on Capital Debt	(1,287,157)
Interest Paid on Capital Debt	(1,567,449)
Net Cash Used In Capital Financing Activities	3,711,065
Cash Flows From Investing Activities	
Interest Received	313,776
Net Cash Provided By Investing Activities	313,776
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,338,301
Cash and Cash Equivalents, Beginning of Year	6,819,190
Cash and Cash Equivalents, End of Year	\$14,157,491

(continued)

City of Avon Lake
 Combined Statement of Cash Flows
Proprietary Fund Type (continued)
 For the Year Ended December 31, 2000

	Enterprise
Reconciliation of Operating Income to Net Cash Provided By Operating Activities	
Operating Income	\$1,439,005
Adjustments:	
Depreciation Expense	1,058,358
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	2,371
Increase in Inventories	(6,878)
Decrease in Intergovernmental Receivable	61,000
Increase in Accounts and Contracts Payable and Retainage Payable	505,764
Decrease in Accrued Wages and Benefits Payable	(146,169)
Increase in Intergovernmental Payable	20,495
Net Cash Provided By Operating Activities	\$2,933,946

Noncash Capital Financing Activities

During 2000 other subdivisions contributed \$1,058,061 of water and sewer lines.

See Notes to General Purpose Financial Statements

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City of Avon Lake

Notes to General Purpose Financial Statements

For the Year Ended December 31, 2000

Note 1: Summary of Significant Accounting Policies

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the City has no component units.

The City is associated with the Lorain County Community Alliance Council of Governments and the Northeast Lorain County Social Services Consortium as jointly governed organizations (See Note 11).

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

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

City of Avon Lake

Notes to General Purpose Financial Statements

For the Year Ended December 31, 2000

Note 1: Summary of Significant Accounting Policies – continued

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

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

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

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

Governmental Funds include the following fund types:

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

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

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

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

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

City of Avon Lake

Notes to General Purpose Financial Statements

For the Year Ended December 31, 2000

Note 1: Summary of Significant Accounting Policies – continued

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

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

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

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

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

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

Assets, Liabilities and Equity

Cash and Cash Equivalents

Cash received by the City is deposited into several bank accounts. Monies for all funds, including enterprise funds, are maintained in these accounts or temporarily used to purchase short-term investments. Individual fund integrity is maintained through the City's records. During 2000, investments were limited to money market accounts, manuscript debt, repurchase agreements, investments in U.S. agencies and instrumentalities, and STAR Ohio. Investments are reported at fair value. Repurchase agreements are reported at cost.

City of Avon Lake

Notes to General Purpose Financial Statements

For the Year Ended December 31, 2000

Note 1: Summary of Significant Accounting Policies – continued

STAR Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2a7 of The Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2000.

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

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

For purposes of the combined statement of cash flows, investments with an original maturity of three months or less are considered to be cash equivalents. (See Note 3.)

Receivables

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

Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, shared revenues, and entitlements are recorded as intergovernmental receivables and revenues when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants, entitlements or shared revenues received for proprietary fund operating purposes are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. Such resources restricted for the construction of capital assets are recorded as contributed capital.

Interfund Assets and Liabilities

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

City of Avon Lake

Notes to General Purpose Financial Statements

For the Year Ended December 31, 2000

Note 1: Summary of Significant Accounting Policies – continued

Inventory

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

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

Restricted Assets

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

Fixed Assets and Depreciation

Property, plant, and equipment items are stated on the basis of cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. Infrastructure such as streets, storm sewers and drains, and traffic signals and signs are not capitalized. Assets costing less than five hundred dollars (\$500) are not normally capitalized. The cost of normal maintenance and repairs is charged to operations as incurred. Assets in the general fixed assets account group are not depreciated. (See Note 4.)

Depreciation for the proprietary funds is determined by allocating the cost of fixed assets over the estimated useful lives of the assets on a straight-line basis. The estimated useful lives are as follows:

Buildings	15 – 70 Years
Improvements other than Buildings	25 – 75 Years
Machinery and Equipment	3 – 20 Years
Vehicles	3 – 20 Years

Bond Discounts and Issuance Costs

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

City of Avon Lake

Notes to General Purpose Financial Statements

For the Year Ended December 31, 2000

Note 1: Summary of Significant Accounting Policies – continued

Contributed Capital

Contributed capital represents donations by developers, contributions made by the City, capital grants and assets whose construction was financed by special assessments. These assets are recorded at their fair market value on the date contributed and are not subject to repayment. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

Interfund Transactions

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

Accrued Liabilities and Long-Term Obligations

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

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

Compensated Absences

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

City of Avon Lake

Notes to General Purpose Financial Statements

For the Year Ended December 31, 2000

Note 1: Summary of Significant Accounting Policies – continued

Sick leave benefits are accrued as a liability using the vesting method. An accrual for sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is based upon sick leave accumulation at December 31, 2000 for those employees who are currently eligible to receive termination benefits and those employees who the City has identified as probable to receive termination benefit payments in the future.

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

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

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

Fund Balance Reserves

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

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

Memorandum Only – Total Columns

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

City of Avon Lake

Notes to General Purpose Financial Statements

For the Year Ended December 31, 2000

Note 1: Summary of Significant Accounting Policies – continued

New Accounting Pronouncements

In December of 1998, Governmental Accounting Standards Board Statement No. 33 (GASBS 33), *Accounting and Financial Reporting for Nonexchange Transactions*, and in June of 1999 GASBS 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, were issued. GASBS 33 establishes accounting and financial reporting standards for nonexchange transactions including financial or capital resources and is effective for periods beginning after June 15, 2001 but must be adopted congruently with GASBS 34. GASBS 34 establishes financial reporting standards for state and local governments and is effective, in three phases based on a government's total annual revenues, beginning with periods beginning after June 15, 2001 and continuing through periods beginning after June 15, 2003. Management is currently evaluating the overall presentation required by GASBS 33 and 34 and believes the effect will be material.

Note 2: Stewardship, Compliance and Accountability

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

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

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

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

City of Avon Lake

Notes to General Purpose Financial Statements

For the Year Ended December 31, 2000

Note 2: Stewardship, Compliance and Accountability – continued

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

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

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and need not be reappropriated. Encumbrances at year end have been presented as reserves of fund balances.

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$ 190,354	\$ 1,254,056	\$ (51,666)	\$ (1,737,054)
Net Adjustments for Revenue Accruals	(32,516)	41,091	0	35,287
Net Adjustments for Expenditure				
Accruals	(367,722)	(63,423)	0	(1,174,938)
Net Adjustments for Encumbrances	<u>(80,948)</u>	<u>(260,679)</u>	<u>0</u>	<u>(1,062,611)</u>
Budget Basis	\$ <u>(290,832)</u>	\$ <u>971,045</u>	\$ <u>(51,666)</u>	\$ <u>(3,939,316)</u>

City of Avon Lake

Notes to General Purpose Financial Statements

For the Year Ended December 31, 2000

Note 2: Stewardship, Compliance and Accountability – continued

Accountability and Compliance

Legal Compliance

Contrary to Section 5705.41B, Ohio Revised Code, the following funds had expenditures plus encumbrances in excess of appropriations at the legal level of control as adopted by City Council at December 31, 2000:

<u>Fund</u>	<u>Excess</u>
OCP – Walker Road Widening Project Fund	\$150,000
8A Jaycox Sidewalk Repair Fund	23,475
RLCWA Fund	976,588

Contrary to Ohio Revised Code Section 5705.39, the following funds had appropriations in excess of certified available resources at December 31, 2000:

<u>Fund</u>	<u>Excess</u>
Income Tax Improve. Fund	\$ 572,895
CDBG Fund	25,029
OCP – CP Webber Rd. Fund	334,351
OCP – Curtis Sewer Fund	5,848
OCP – Sunset Sewer Fund	40,552
OCP – Police/Court Facility Fund	7,666,797
OCP – Inwood Sewer Fund	1,302
OCP – Duff Sewer Fund	4,482
OCP – Bicycle Trails Fund	362,926
SA Walker Rd. Sewer/Lear Rd. East	36,680
SA Lear Rd. Sewer/Walker Rd. South	80
SA Sidewalk/Lights	42,378
Sewer Fund	548,187
Sewer System Construction Fund	312,784

City of Avon Lake

Notes to General Purpose Financial Statements

For the Year Ended December 31, 2000

Note 2: Stewardship, Compliance and Accountability – continued

Fund Deficit

At December 31, 2000, two capital project funds and two enterprise funds were noted to have deficit fund balances at year end contrary to Section 5705.10, Ohio Revised Code: OCP – Bicycle Trails Fund, (\$40,743), SA – Pin Oak Parkway Impr IV Fund, (\$273,047), Water Fund (\$168,666) and the Sewer Debt Service Reserve Fund (\$184,103).

<u>Fund</u>	<u>Deficit Fund Balance</u>
Police Pension Fund	\$ 52,553
Fire Pension Fund	57,328
OCP – Moore Chester Fund	6,363
OCP – Bicycle Trails Fund	50,742
SA – Pin Oak Parkway	1,365,640
Water MOR Sub Fund	286,635
Water Works Fund	1,092,027
Water Debt	18,357,899
Sewer Debt Reserve Fund	3,088,804
WWC Trunk Fund	1,302,183
Transfer Fund	199
Deposit Trust Fund	2,862

The general fund provides transfers to cover deficit balances; however, this is done only when cash is actually needed rather than when accruals occur.

Note 3: Deposits and Investments

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

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

City of Avon Lake

Notes to General Purpose Financial Statements

For the Year Ended December 31, 2000

Note 3: Deposits and Investments – continued

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

A second category consists of “inactive” monies; those monies not required for use within the current two-year period of designation of depositories. Inactive monies may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories or by savings or deposit accounts including, but not limited to, passbook accounts.

A third category consists of “interim” monies; those monies which are not needed for immediate use but which will be needed before the end of the current period of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts. Interim monies may be invested in the following obligations provided they mature or are redeemable within two years from the date of purchase:

1. Bonds, notes, or other obligations of, or guaranteed by, the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase agreements for a period not to exceed thirty days in securities listed above that mature within five years from the date of purchase;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer’s investment pool (STAR Ohio).

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

City of Avon Lake

Notes to General Purpose Financial Statements

For the Year Ended December 31, 2000

Note 3: Deposits and Investments – continued

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Director of Finance or, if the securities are not represented by a certificate, upon receipts of confirmation of transfer from the custodian.

Deposits: At year end, the carrying amount of the City's deposits was \$1,517,554 including \$1,595 of petty cash and the bank balance was \$1,725,079. Of the bank balance, \$117,603 was covered by federal depository insurance, and \$1,607,476 was uncollateralized and uninsured. Although the securities serving as collateral were held by the pledging financial institutions trust department or agent in the City's name and all state statutory requirements for the investment of money had been followed, noncompliance with federal requirements would potentially subject the City to a successful claim by the FDIC.

Investments: The City's investments are categorized below to give an indication of the level of risk assumed by the City at year end.

Category 1 includes investments that are insured or registered or for which the securities are held by the City.

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

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

City of Avon Lake

Notes to General Purpose Financial Statements

For the Year Ended December 31, 2000

Note 3: Deposits and Investments – continued

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

	Category			Carrying Value	Fair Value
	1	2	3		
Money Market	\$ 0	\$ 0	\$ 7,792,610	\$ 7,792,610	\$ 7,792,610
Manuscript Debt	47,082	0	0	47,082	47,082
Investments in State Treasurer’s Investment Pool	0	0	0	650,767	650,767
Repurchase Agreement	0	95,000	0	95,000	95,000
Investments in U.S. Agencies and Instrumentalities	<u>0</u>	<u>14,741,888</u>	<u>0</u>	<u>14,741,888</u>	<u>14,726,581</u>
TOTAL INVESTMENTS	\$ <u>47,082</u>	\$ <u>14,836,888</u>	\$ <u>7,792,610</u>	\$ <u>23,327,347</u>	\$ <u>23,312,040</u>

City of Avon Lake

Notes to General Purpose Financial Statements

For the Year Ended December 31, 2000

Note 4: Fixed Assets

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

	Balance January 1, <u>2000</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2000</u>
Land	\$ 2,486,771	\$ 0	\$ 0	\$ 2,486,771
Buildings	2,233,191	6,494,153	0	8,727,344
Improvements other than Buildings	241,834	128,530	0	370,364
Machinery and Equipment	2,457,511	667,737	(11,770)	3,113,478
Furniture and Fixtures	2,338,527	196,569	(1,379)	2,533,717
Construction-In-Progress	<u>2,706,534</u>	<u>0</u>	<u>(2,706,534)</u>	<u>0</u>
Total	\$ <u>12,464,368</u>	\$ <u>7,486,989</u>	\$ <u>(2,719,683)</u>	\$ <u>17,231,674</u>

Proprietary fund fixed assets at December 31, 2000 were as follows:

	<u>Enterprise</u>
Land	\$ 1,041,285
Buildings	13,002,646
Improvements other than Buildings	36,111,553
Machinery and Equipment	18,407,167
Construction-In-Progress	<u>2,682,700</u>
Total Fixed Assets	71,245,351
Less: Accumulated Depreciation	<u>(15,570,641)</u>
Net Fixed Assets	\$ <u>55,674,710</u>

City of Avon Lake

Notes to General Purpose Financial Statements

For the Year Ended December 31, 2000

Note 5: Long-Term Obligations

On March 31, 2000, the City issued \$9,000,000 in Various Purpose Series 2000 Notes. These notes were issued to refinance \$8,000,000 of various purpose notes, plus an additional \$1,000,000 to mature on March 21, 2001.

Changes in long-term obligations were as follows:

	<u>Balance January 1, 2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2000</u>
GENERAL LONG-TERM OBLIGATIONS:				
GENERAL OBLIGATION NOTES				
1998 Ambulance Note 5.96%	\$ 63,934	\$ 0	\$ 63,934	\$ 0
1999 Various Purpose Notes 3.625%	8,000,000	0	8,000,000	0
2000 Various Purpose Notes 4.75%	0	9,000,000	0	9,000,000
GENERAL OBLIGATION BONDS				
1994 Various Purpose 4.0% - 6.0%	517,424	0	23,068	494,356
SELLER-FINANCED MORTGAGES				
1997 Park Lane 3.75%-4.75%	180,000	0	90,000	90,000
1997 Park Lane 6%	<u>89,219</u>	<u>0</u>	<u>27,883</u>	<u>61,336</u>
TOTAL SELLER-FINANCED MORTGAGES	269,219	0	117,883	151,336
SPECIAL ASSESSMENT BONDS				
1990 Pin Oak Parkway II 1990 8.35% Manuscript	28,415	0	4,736	23,679
1993 Redwood Curbs 6.0% Manuscript	<u>18,666</u>	<u>0</u>	<u>2,074</u>	<u>16,592</u>
TOTAL SPECIAL ASSESSMENT BONDS	47,081	0	6,810	40,271

City of Avon Lake

Notes to General Purpose Financial Statements

For the Year Ended December 31, 2000

Note 5: Long-Term Obligations – continued

	Balance January 1, <u>2000</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2000</u>
OHIO WATER DEVELOPMENT AUTHORITY LOANS				
1986 Walker Road 7.76%	\$ 541,045	\$ 0	\$ 29,254	\$ 511,791
Avon Point/Armour Sewer	<u>63,883</u>	<u>0</u>	<u>8,759</u>	<u>55,124</u>
TOTAL OWDA LOANS	604,928	0	38,013	566,915
 LANDFILL POSTCLOSURE COSTS	 334,200	 705,800	 0	 1,040,000
COMPENSATED ABSENCES	947,773	675,130	960,121	662,782
POLICE AND FIRE PENSION	119,733	0	1,494	118,239
CAPITAL LEASE PAYABLE	<u>115,580</u>	<u>0</u>	<u>19,934</u>	<u>95,646</u>
 TOTAL GENERAL LONG-TERM OBLIGATIONS	 11,019,872	 10,380,930	 9,231,257	 12,169,545
 ENTERPRISE FUNDS:				
GENERAL OBLIGATION BONDS				
1994 Various Purpose 4.0%-6.0%	<u>8,342,576</u>	<u>0</u>	<u>371,932</u>	<u>7,970,614</u>
TOTAL GENERAL OBLIGATION BONDS	8,342,576	0	371,932	7,970,644
 OHIO WATER DEVELOPMENT AUTHORITY LOANS				
1986 Walker Road 7.76%	1,023,685	0	54,330	969,355
1983 Wastewater Expansion 9.98%	802,562	0	150,388	652,174
1990 Water Plant Expansion 7.84%	7,738,959	0	232,654	7,506,305
2000 Wastewater Improvement 5.76%	<u>619,554</u>	<u>0</u>	<u>19,133</u>	<u>600,421</u>
TOTAL OWDA LOANS	10,184,760	0	456,505	9,728,255

City of Avon Lake

Notes to General Purpose Financial Statements

For the Year Ended December 31, 2000

Note 5: Long-Term Obligations – continued

	Balance January 1, <u>2000</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2000</u>
MORTGAGE REVENUE BONDS				
1993 Water System Revenue				
Refunding Bonds 2.5% - 5.5%	\$ 5,905,000	\$ 0	\$ 305,000	\$ 5,600,000
2000A Water System Bonds 4.7% to 5.6%	<u>0</u>	<u>9,658,943</u>	<u>0</u>	<u>9,658,943</u>
TOTAL MORTGAGE REVENUE BONDS	<u>5,905,000</u>	<u>9,658,943</u>	<u>305,000</u>	<u>15,258,943</u>
TOTAL ENTERPRISE FUNDS	<u>24,432,336</u>	<u>9,658,943</u>	<u>1,133,437</u>	<u>32,957,842</u>
TOTAL	<u>\$ 35,452,208</u>	<u>\$ 20,039,873</u>	<u>\$ 10,364,694</u>	<u>\$ 45,127,387</u>

The general obligation notes were paid from the special revenue paramedic levy fund. General obligation bonds, other than the enterprise general obligation bonds and mortgage revenue, will be paid from the general bond retirement debt service fund from special assessments taxes. Seller-financed mortgages will be paid from the recreation trust expendable trust fund. Ohio Water Development Authority loans other than those paid from the enterprise funds will be paid from the general bond retirement debt service fund from special assessments. Special assessment bonds will be paid from the proceeds of special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City. The police and fire pension liability will be paid from taxes received in the police and fire pension special revenue funds. Landfill postclosure costs are based on estimates as of December 31, 2000. The actual costs may be higher due to inflation, changes in technology, or changes in regulations and they will be paid from the general fund. Compensated absences reported in the "Accrued Wages and Benefits" account will be paid from the fund which the employees' salaries are paid.

City of Avon Lake

Notes to General Purpose Financial Statements

For the Year Ended December 31, 2000

Note 5: Long-Term Obligations – continued

Principal and interest requirements to retire long-term obligations, except landfill postclosure costs and compensated absences, outstanding at December 31, 2000 are as follows:

	General Obligation Bonds	Seller – Financed Mortgages	Special Assessment Bonds	1993 Mortgage Revenue Bonds
2001	904,455	126,031	9,783	606,675
2002	903,705	32,824	9,263	607,500
2003	906,085	0	8,743	607,320
2004	906,475	0	8,223	605,760
2005	904,800	0	7,703	606,005
2006-2010	4,524,700	0	6,967	3,043,890
2011-2015	3,619,200	0	0	1,824,375
2016-2020	0	0	0	0
2021-2025	0	0	0	0
2026	0	0	0	0
	<u>\$12,669,420</u>	<u>\$158,855</u>	<u>\$50,682</u>	<u>\$7,901,525</u>

	2000A Mortgage Revenue Bonds	OWDA	Police and Fire Pension	Capital Lease Payable
2001	1,139,313	1,343,300	6,567	21,616
2002	1,340,138	1,343,300	6,567	23,439
2003	1,340,558	1,343,300	6,567	25,415
2004	1,338,918	1,343,300	6,567	25,176
2005	1,340,248	1,343,300	6,567	0
2006-2010	6,700,949	5,638,157	32,835	0
2011-2015	5,475,474	5,085,142	32,835	0
2016-2020	3,661,604	77,000	32,835	0
2021-2025	3,658,925	0	94,862	0
2026	729,675	0	0	0
	<u>\$26,725,802</u>	<u>\$17,516,799</u>	<u>\$226,202</u>	<u>\$95,646</u>

City of Avon Lake

Notes to General Purpose Financial Statements

For the Year Ended December 31, 2000

Note 5: Long-Term Obligations – continued

Mortgage Revenue Bonds

The water system mortgage revenue refunding bonds series 1993A include serial and term bonds. The term bonds have annual mandatory sinking fund redemption requirements, and there are optional redemption provisions for the serial bonds. The term bonds mature on October 1, 2013 in the amount of \$3,470,000, at a redemption price equal to 100% of the principal plus accrued interest to the redemption date. The serial bonds maturing on or after October 1, 2004 are subject to early redemption, by and at the option of the City in whole at any time or in part on any interest payment date on or after October 1, 2003 in multiples of \$5,000 at the following redemption prices plus accrued interest:

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

Mandatory Sinking Fund Redemption. The bonds maturing on October 1, 2013 are subject to mandatory redemption, pursuant to Sinking Fund Requirements, at a redemption price of 100% of the principal amount redeemed plus interest accrued to the redemption date, on October 1 in each of the years and in the principal amounts set forth below:

<u>Year</u>	<u>Principal Amount</u> <u>to be Redeemed</u>
2007	\$ 420,000
2008	445,000
2009	470,000
2010	495,000
2011	520,000
2012	545,000

City of Avon Lake

Notes to General Purpose Financial Statements

For the Year Ended December 31, 2000

Note 5: Long-Term Obligations – continued

The water system mortgage revenue bonds series 2000A include serial and term bonds. The term bonds have annual mandatory sinking fund redemption requirements, and there are optional redemption provisions for the serial bonds. The term bonds mature on October 1, 2026 in the amount of \$4,120,000, at a redemption price equal to 100% of the principal plus accrued interest to the redemption date. The serial bonds maturing on or after October 1, 2011 are subject to redemption, by and at the option of the City in whole at any time or in part on any interest payment date on or after October 1, 2010 in multiples of \$5,000 at the redemption price or 100% of the principal amount to be redeemed plus accrued interest to the date of redemption.

Mandatory Sinking Fund Redemption. The bonds maturing on October 1, 2026 are subject to mandatory redemption, pursuant to Sinking Fund Requirements, at a redemption price of 100% of the principal amount redeemed plus interest accrued to the redemption date, on October 1 in each of the years and in the principal amounts set forth below:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2020	\$ 495,000
2021	520,000
2022	555,000
2023	585,000
2024	620,000
2025	655,000

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

The restricted assets balance in the water fund segregates funds held by the City from funds held by the trustees in accordance with the trust agreement. Restricted assets relating to the water system mortgage revenue refunding bonds consisted of the following at December 31, 2000:

Revenue Bond Future Debt Service	\$ 1,343,684
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City of Avon Lake

Notes to General Purpose Financial Statements

For the Year Ended December 31, 2000

Note 5: Long-Term Obligations – continued

General Obligation Bonds

These bonds consist of serial, term, and capital appreciation bonds. The capital appreciation bonds are not subject to prior redemption. The term bonds have annual mandatory sinking fund redemption requirements, and there are optional redemption provisions for the serial bonds. The term bonds mature on December 1, 2020 in the amount of \$3,270,000, at a redemption price equal to 100% of the principal plus accrued interest to the redemption date. The serial bonds maturing on or after December 1, 2012 are subject to redemption, by and at the sole option of the City in whole at any time or in part on any interest payment date on or after December 1, 2011 in multiples of \$5,000 at the redemption price or 100% of the principal amount to be redeemed plus accrued interest to the date of redemption.

Mandatory Sinking Fund Redemption. The bonds maturing on December 1, 2020 are subject to mandatory redemption, pursuant to Sinking Fund Requirements, at a redemption price of 100% of the principal amount redeemed plus interest accrued to the redemption date, on December 1 in each of the years and in the principal amounts set forth below:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2015	\$ 480,000
2016	505,000
2017	530,000
2018	560,000
2019	585,000

General Obligation Bonds

On May 1, 1994, the City issued \$10,000,000 various purpose general obligation bonds, series 1994. Of the \$10,000,000, enterprise funds are responsible for the repayment of \$9,416,000 and \$584,000 is the responsibility of the general long-term obligations account group. The bonds were issued for the purpose of paying the costs of (a) constructing improvements, additions or extensions to the City's water distribution system within and without the City, including acquiring real estate and easements therefore; (b) construction improvements to the City's sewerage system; (c) widening and resurfacing portions of Walker Road; and (d) issuing the Bonds. As of December 31, 2000, the water enterprise fund has recorded \$1,300,000 in "Intergovernmental Receivable" for the City of Avon's share of the waterline construction costs.

City of Avon Lake

Notes to General Purpose Financial Statements

For the Year Ended December 31, 2000

Note 5: Long-Term Obligations – continued

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

<u>Redemption Dates</u> <u>(Dates Inclusive)</u>	<u>Redemption Prices</u>
December 1, 2004 and thereafter	100%

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

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

In prior years, the City defeased certain water system mortgage revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City’s financial statements. At December 31, 2000, \$6,180,000 of bonds outstanding were considered defeased.

City of Avon Lake

Notes to General Purpose Financial Statements

For the Year Ended December 31, 2000

Note 6: Note Activity

	<u>Outstanding</u> <u>12/31/99</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding</u> <u>12/31/00</u>
Capital Projects Fund:				
Oak Parkway Improvement 3.75%	\$ <u>0</u>	\$ <u>1,000,000</u>	\$ <u>1,000,000</u>	\$ <u>0</u>
<i>Totals</i>	\$ <u>0</u>	\$ <u>1,000,000</u>	\$ <u>1,000,000</u>	\$ <u>0</u>

City of Avon Lake

Notes to General Purpose Financial Statements

For the Year Ended December 31, 2000

Note 6: Note Activity - continued

This note is backed by the full faith and credit of the City. The note liability is reflected in the fund which received the proceeds. On September 12, 2001, Refunding Bonds 2001 were issued to redeem the notes. (See the following "Subsequent Events" footnote.)

Note 7: Contractual Commitments

During 2000, the City entered into various contracts for building construction totaling \$6,103,984. The amount paid on the contracts was \$2,706,534, leaving an outstanding contractual commitment of \$3,397,450.

Note 8: Taxes

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

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

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

City of Avon Lake

Notes to General Purpose Financial Statements

For the Year Ended December 31, 2000

Note 8: Taxes - continued

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

The full tax rate for all City operations for the year ended December 31, 2000 was \$7.24 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2000 property tax receipts were based are as follows:

Real Property	\$ 409,713,190
Tangible Personal Property	<u>179,878,915</u>
Total	\$ <u>589,592,105</u>

Income Taxes. The City levies a municipal income tax of one and one-half percent on all salaries, wages, commission and other compensation, and net profits earned within the City as well as incomes of residents earned outside of the City. In the latter case, the City allows a credit of one hundred percent of the tax paid to another municipality to a maximum of the total amount assessed.

Employers within the City are required to withhold income tax on employee compensation and remit the tax either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

Income tax proceeds are received by the Income Tax Transfer Fund which is a Special Revenue Fund.

City of Avon Lake

Notes to General Purpose Financial Statements

For the Year Ended December 31, 2000

Note 9: Pension Plan

Public Employees Retirement System of Ohio (PERS)

Plan Description. All City full-time employees, other than Police and Firemen, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement System of Ohio. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642.

Funding Policy. The Ohio Revised Code provides statutory authority for employee and employer contributions with contribution rates determined actuarially. The employee contributions rates are 8.5% of covered salary. For calendar year 2000, PERS instituted a temporary employer rate rollback for state and local governments. The 2000 employer pension contribution rate for the City was 6.54% of covered payroll, reduced from 9.35% in 1999. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ending December 31, 2000, 1999, and 1998 were \$743,511, \$775,539, and \$753,400, respectively. The full amount has been contributed for 1999 and 1998, and 88 percent has been contributed for 2000 with the remainder being reported as a liability within enterprise funds and the general long-term obligations account group.

Ohio Police and Fire Pension Fund (OP&F)

Plan Description. The City contributes to the Ohio Police and Fire Pension Fund (OP&F) a cost-sharing, multiple-employer, public employee retirement system administered by the OP&F's Board of Trustees. OP&F 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 OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

City of Avon Lake

Notes to General Purpose Financial Statements

For the Year Ended December 31, 2000

Note 9: Pension Plan - continued

Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 12.25 percent and 16.75 percent, respectively, for police officers and firefighters. For 2000, the City contributions were 12.25 percent for police and 16.75 percent for firefighters. Contributions are authorized by State Statute. The City's contributions to OP&F for the years ending December 31, 2000, 1999, and 1998 were \$662,446, \$648,016, and \$626,480, respectively. The full amount has been contributed for 1999 and 1998, and 79 percent has been contributed for 2000 with the remainder being reported as a liability within enterprise funds and the general long-term obligations account group.

Note 10: Post Employment Benefits

Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2000 employer contribution rate was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2000. For 1999, the contribution rate was 13.55 percent of covered payroll; 4.20 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 1999, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

City of Avon Lake

Notes to General Purpose Financial Statements

For the Year Ended December 31, 2000

Note 10: Post Employment Benefits - continued

The number of active contributing participants was 401,339. The City's actual contributions for 2000 which were used to fund postemployment benefits were \$32,000. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 1999, (the latest information available) were \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$12,473.6 million and \$1,668.1 million, respectively.

For 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.25 percent of covered payroll was applied to the postemployment health care program during 2000. For 1999 the percent used to fund health care was 7 percent. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 2000 that were used to fund postemployment benefits for police and fire were \$48,027. The OP&F's total health care expenses for the year ended December 31, 1999, (the latest information available) were \$95,004,633, which was net of member contributions of \$5,518,098. The number of OP&F participants eligible to receive health care benefits as of December 31, 1999, was 12,467 for police and 9,807 for firefighters.

City of Avon Lake

Notes to General Purpose Financial Statements

For the Year Ended December 31, 2000

Note 11: Jointly Governed Organizations

A. Lorain County Community Alliance Council of Governments

The City is a member of the Lorain County Community Alliance (Alliance) which is a council of governments formed under Ohio Revised Code Section 167. The Alliance is comprised of public members that have voting privileges and other citizen, business, and agency members that have no voting privileges. While the agreement establishing the Alliance designates members, the Alliance has expanded membership to include the following public members and their respective Board representatives:

<u>Member</u>	<u>Board Representative(s)</u>
Lorain County	Two County Commissioners
City of Amherst	Mayor
City of Avon	Mayor
City of Avon Lake	Mayor
City of Elyria	Mayor
City of Lorain	Mayor
City of North Ridgeville	Mayor
City of Oberlin	Mayor
City of Sheffield Lake	Mayor
City of Vermilion	Mayor
Village of Grafton	Mayor
Village of LaGrange	Mayor
Village of Wellington	Mayor
Amherst Township	Trustee
Brownhelm Township	Trustee
Carlisle Township	Trustee
Columbia Township	Trustee
Elyria Township	Trustee
LaGrange Township	Trustee
Sheffield Township	Trustee

The Alliance currently has 21 other citizen, business, and agency members.

City of Avon Lake

Notes to General Purpose Financial Statements

For the Year Ended December 31, 2000

Note 11: Jointly Governed Organizations - continued

The Alliance was formed to serve as an opportunity for both the public and private sector, including citizen representatives to develop long-term plans that deal with cross-boundary issues and community interests.

Member cities, villages, and townships are eligible to cast votes equivalent to the total population of the member jurisdictions which they represent and Lorain County members are eligible to cast votes equivalent to twenty-five percent of the total population of Lorain County. The City of Avon Lake contributed \$205 to the Alliance during 2000. Financial information can be obtained by contacting Mark R. Stewart, Lorain County Auditor, at 226 Middle Avenue, Elyria, Ohio 44035, who serves as fiscal agent.

B. Northeast Lorain County Social Services Consortium

The City is a member of the Northeast Lorain County Social Services Consortium (Consortium). The Consortium is an agreement among the Cities of Avon Lake, Avon, Sheffield Lake, and the Village of Sheffield to provide social assistance for the needy and elderly residents of each of the member communities. Social assistance includes home delivered meals, emergency food, U.S. Department of Agriculture food distribution, and support services.

The Mayor of each member serves as a representative in the Consortium. The Consortium receives advice and recommendations from the Northeast Lorain County Social Services Agency (Agency), an Ohio non-profit corporation. The Agency's Board consists of 12 members which includes an elected official appointed by each Consortium member and other members from Consortium members.

The Consortium established a disbursement office at the City of Avon Lake for the management of Consortium fiscal affairs. The City contributed \$20,760 to the Consortium during 2000. Financial information can be obtained by contacting Northeast Lorain County Social Services, Janet M. Strickland, Director, 4575 Lake Road, Sheffield Lake, Ohio 44054.

City of Avon Lake

Notes to General Purpose Financial Statements

For the Year Ended December 31, 2000

Note 12: Contributed Capital

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

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Beginning Balance	\$ 10,385,165	\$ 17,395,751	\$ 27,780,916
Contributed by Others	<u>364,767</u>	<u>693,294</u>	<u>1,058,061</u>
Ending Balance	<u>\$ 10,749,932</u>	<u>\$ 18,089,045</u>	<u>\$ 28,838,977</u>

Note 13: Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

During 2000, the City contracted for various types of insurance as follows:

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

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

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

City of Avon Lake

Notes to General Purpose Financial Statements

For the Year Ended December 31, 2000

Note 14: Segment Information for Enterprise Funds

Segment information for Enterprise Funds is as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenues	\$ 11,639,121	\$ 2,991,405	\$ 14,630,526
Operating Expenses Before Depreciation	9,462,504	2,670,659	12,133,163
Depreciation Expense	524,069	534,289	1,058,358
Operating Income	1,652,548	(213,543)	1,439,005
Net Nonoperating (Expense)	(1,019,506)	(214,918)	(1,234,424)
Net Transfers	282,100	0	282,100
Net Income (Loss)	915,142	(428,461)	486,681
Plant, Property and Equipment Additions	3,760,209	1,257,064	5,017,273
Net Working Capital	9,674,426	3,431,829	13,106,255
Total Assets	45,885,933	26,393,084	72,279,017
Long-Term Liabilities	29,264,974	3,949,725	33,214,699
Total Equity	15,304,560	22,132,602	37,437,162

City of Avon Lake

Notes to General Purpose Financial Statements

For the Year Ended December 31, 2000

Note 15: Landfill Postclosure Costs

State and federal laws and regulations required the City to place a final cover on the municipal landfill when it stopped accepting waste and perform certain maintenance and monitoring functions at the site for 30 years after closure. The City closed the landfill on December 30, 1990. The Landfill Postclosure Costs liability reflects an estimate of the remaining costs to perform the required maintenance and monitoring functions for approximately 20 years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Note 16: Contingencies

Litigation

As of December 31, 2000, the City was a party to a legal proceeding. The ultimate disposition of this proceeding is not presently determinable, but will not, in the opinion of management, have a material adverse effect on the continued operations of the City.

Note 17: Subsequent Events

On March 28, 2001, the City issued \$7,994,097 of various purpose bonds to redeem outstanding bond anticipation notes. The City also issued \$8,752,661 of various purpose refunding bonds. The refunding bonds were issued to take advantage of better interest rates. On September 12, 2001, the City issued \$1,385,000 of General Obligation Street Improvements Bonds, Series 2001, to refinance \$1,000,000 of short-term various purpose notes.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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

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

We have audited the financial statements of the City of Avon Lake, Lorain County, Ohio, (the City) as of and for the year ended December 31, 2000, and have issued our report thereon dated November 16, 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 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2000-20847-001, 2000-20847-002, 2000-20847-003 and 2000-20847-004. In addition, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated November 16, 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 financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2000-20847-005 and 2000-20847-006.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated November 16, 2001.

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

Jim Petro
Auditor of State

November 16, 2001

CITY OF AVON LAKE
LORAIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000

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

FINDING NUMBER 2000-20847-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exception to this basic requirement is provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts less than \$1,000, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

The City passed Codified Ordinance, Chapter 252.01, in 1997 which exempts the utility department from issuing requisition or purchase orders for purchases. However, the Director of Finance is responsible for certifying that sufficient funds were available or in the process of collection at the time the contract or order was made and at the time that he is completing his certification. Our testing indicated instances of noncompliance in twelve of the nineteen items selected for testing. These twelve items had expenditures of \$141,531 which were not certified by the Director of Finance of the \$281,339 in expenditures which were selected for testing.

We recommend the City implement procedures to ensure that the proper certification of the availability of funds for any contracts or orders involving the expenditure of money or issue appropriate "then and now" certificates to ensure compliance with this requirement.

CITY OF AVON LAKE
LORAIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000

FINDING NUMBER 2000-20847-002

Noncompliance Citation

City of Avon Lake, Codified Ordinance, Chapter 252.02 (b) (1997) requires that a requisition shall be prepared for purchases in excess of two hundred fifty dollars (\$250.00) but less than five thousand dollars (\$5,000) and submitted to the Director of Finance, who shall issue a purchase order forthwith, if money required for the expenditure is in the treasury to the credit of the fund from which it is to be drawn and not appropriated for any other purpose.

Our testing indicated instances of noncompliance in sixteen of the twenty-six items selected for testing. These sixteen items had expenditures of \$148,863 which were not certified by the Director of Finance of the \$320,845 in expenditures which were selected for testing. All of these expenditures were for purchase commitments in excess of \$250.

We recommend the Director of Finance issue a purchase order and implement procedures to ensure that the proper certification of the availability of funds for any contracts or orders involving the expenditure of money in excess of \$250.

FINDING NUMBER 2000-20847-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) states, that no subdivision or taxing unit is to expend money unless it has been appropriated. The Ohio Rev. Code Sections require compliance throughout the year.

There were twenty-one instances of the one hundred eighty three items selected for testing throughout the year whereby moneys were expended without being appropriated for at the legal level of control.

The following funds had expenditures plus encumbrances greater than appropriations at December 31, 2000:

<u>Fund</u>	<u>Excess</u>
OCP - Walker Road Widening Project Fund	\$ 150,000
8A Jaycox Sidewalk Repair Fund	23,475
RLCWA Fund	976,588

We recommend the City implement procedures to ensure that legal compliance is observed whereby no money is expended unless it has been appropriated at the City's legal level of control.

**CITY OF AVON LAKE
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000**

FINDING NUMBER 2000-20847-004

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states, in part, that the total appropriation from each fund shall not exceed the total estimated revenue. The Ohio Rev. Code Sections require compliance throughout the year.

There were forty-one instances of the one hundred eighty three selected for testing throughout the year whereby appropriations exceeded estimated revenues at the legal level of control.

The following funds had appropriations greater than estimated resources at December 31, 2000.

<u>Fund</u>	<u>Excess</u>
Income Tax Improve. Fund	\$ 572,895
CDBG Fund	25,029
OCP - CP Webber Fund	334,351
OCP - Curtis Sewer Fund	5,848
OCP - Sunset Sewer Fund	40,552
OCP - Police/ Court Facility Fund	7,666,797
OCP - Inwood Sewer Fund	1,302
OCP - Duff Sewer Fund	4,482
OCP - Bicycle Trails Fund	362,926
SA Walker Road Sewer/ Lear Rd. East	36,680
SA Lear Road Sewer/ Walker Rd. South	80
SA Sidewalk/ Lights	42,378
Sewer Fund	548,187
Sewer System Construction Fund	312,784

We recommend the City implement procedures to ensure that legal compliance is observed whereby appropriations do not exceed estimated resources at the City's legal level of control.

FINDING NUMBER 2000-20847-005

Reportable Condition

The City's monthly bank reconciliations contained unreconciled differences. The amount of these unreconciled differences varied from month to month. At year end, the amount of the unreconciled differences totaled \$65,175. Without properly reconciling these differences, the City increases the risk that cash fund balances could be misstated and the risk that errors are not detected in a timely manner.

We recommend the City prepare complete, accurate bank reconciliations in a timely manner. As part of these reconciliations, unreconciled differences between bank and book activity should be identified and properly adjusted for the current period.

**CITY OF AVON LAKE
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000**

FINDING NUMBER 2000-20847-006

Reportable Condition

The City's master listing of fixed assets is a source document that serves as a basis for financial reporting and for valuing inventory. However, since 1996, the City's master listing of fixed assets has not been updated with enterprise fund fixed asset additions. While enterprise fund fixed asset additions have been recognized for financial reporting purposes, the assets were not added to the City's master listing of fixed assets. The total of these omissions is approximately \$7,357,373. An incomplete fixed asset listing increases the risk of an understatement of assets and recognition of depreciation for financial statement reporting and may require the City to perform additional procedures at year end to ensure the accuracy of the fixed asset amounts recognized for financial reporting purposes.

In addition, in our testing of fixed asset disposals, we noted that twelve of forty items selected for testing were not removed from the master listing of fixed assets. If the master listing of fixed assets is not updated for disposals of fixed assets during the year, the risk of an overstatement of assets is increased and may require the City to perform additional procedures at year end to ensure the accuracy of the fixed asset amounts recognized for financial reporting purposes.

We recommend the City's master listing of fixed assets be properly updated with fixed asset additions and disposals throughout the year. In addition, depreciation on fixed assets should be appropriately estimated and annually expensed over the life of the asset in accordance with generally accepted accounting principles.



STATE OF OHIO
OFFICE OF THE AUDITOR

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CITY OF AVON LAKE

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 15, 2002**