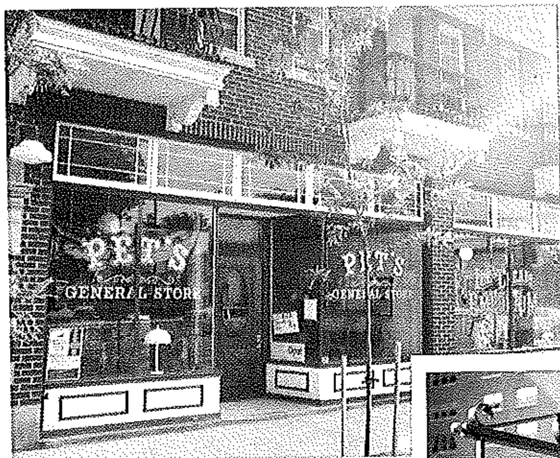
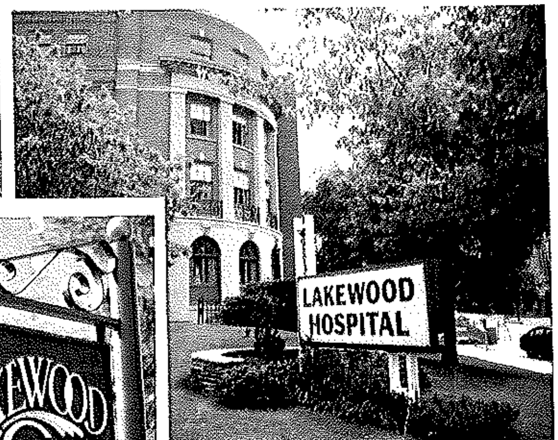
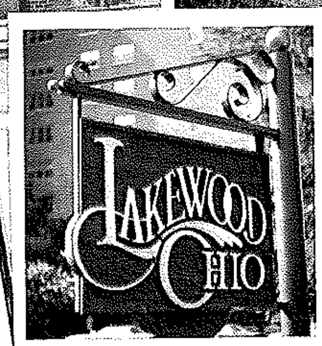
The City of Lakewood, Ohio

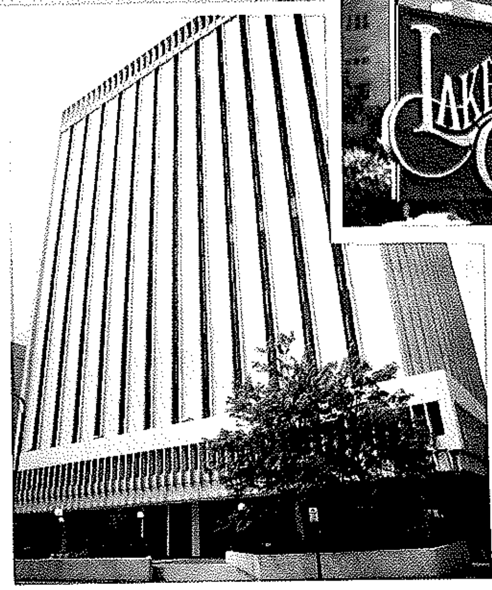
Comprehensive Annual Financial Report

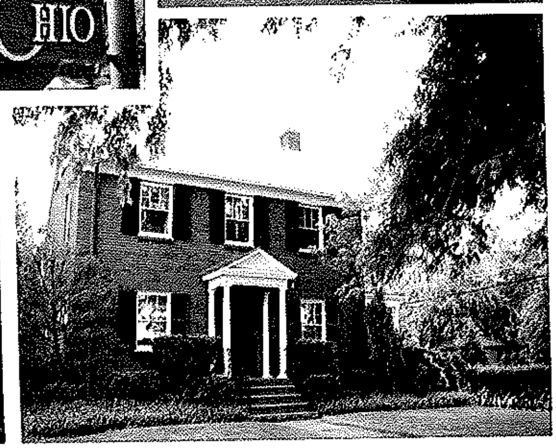


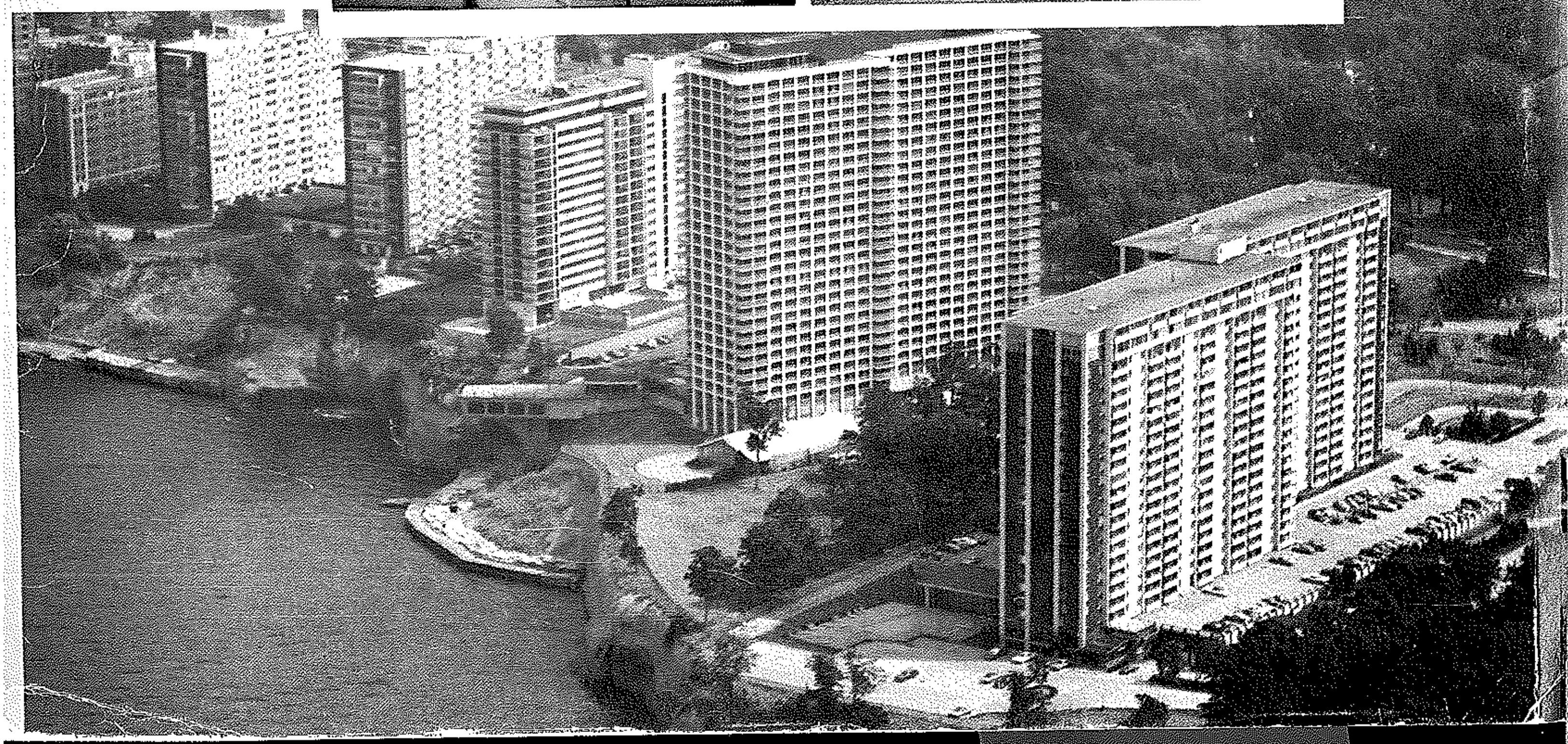
For the year ended
December 31, 1981











SPECIAL REVENUE FUNDS

Special Revenue Funds for the City of Lakewood include Street and Highways Funds, Police and Fire Pension Funds, Federal Revenue Sharing, Community Development Block Grant, Comprehensive Employment Training Act (C.E.T.A.) and Older Americans Act Grant (Office on Aging).

Intergovernmental Revenue under the Special Revenue fund area was $70,036 over the budgeted amount. Total revenue for these funds was $4,969,794.

Actual expenditures were $6,016,000, or $27,654 under anticipated Budget amounts. The Highways and Streets area of the Budget was overspent because of changes in personnel and accounting and financial reporting systems. No further problems are anticipated in this area for the fiscal year 1982. Year end fund balance was $342,710.

DEBT SERVICE FUNDS

Fund balance in the Debt Service Funds increased from $456,220 at the beginning of the year to $2,711,416. This large increase was accounted for by the year end Bond Sale for the Winterhurst Ice Skating Rink. A total of $2,170,000 was paid out in January to retire outstanding short term debt. Debt Service revenue included major sources of taxes of $1,194,703 and enterprise reimbursement of $684,727.

Results of operations in the Debt Service Funds reflect the City's rapid amortization of short term debt. The City has undertaken a policy of utilizing short term debt to fund all capital improvement programs with rapid refunding the following years. Subsequent budgets will continue to reflect this rapid amortization with the overall program designed to insure lower long term debt service and allow further a pay "as you go" philosophy. During fiscal year 1981 the City's Capital Project Funds expended a total of $1,490,655. These amounts included improvements for telephone equipment, refuse truck acquisition, incinerator site improvement and Police Department remodeling. Fund balance remained relatively stable with remainder of the available fund balance used to continue the above mentioned projects.

SPECIAL ASSESSMENT FUNDS

The City continued its program of local street improvement through a 50%-50% City-property owner assessment procedure. This method has allowed the City to maintain the City streets and roadways without burdening the City's financial condition. Fund balance in the beginning of the year was $35,708 and it increased to $137,388 at year end.

The City has undertaken in 1981 a new program designed and implemented to attempt to reduce lake shore erosion for its property owners. The City has utilized a special assessment technique to construct breakwalls along various lakefront properties. These projects are 100% assessible upon petition of the property owners. The activity is in the Breakwall Improvement Fund as a result of these projects.

ENTERPRISE FUNDS

The City's Enterprise Funds include operations of Lakewood Hospital, Water, Sewer and Wastewater, Parking Facilities, Steven Kovacs Health Center and Congregate Living Facilities. Total Enterprise operating revenue for fiscal 1981 is $46,287,738. Total operating expenses were $41,781,670, so that operating income was $4,506,068. Net income was $3,377,461. Retained earnings increased from $19,169,801 to $22,685,606.

Increases in user charge in the Sewer and Wastewater and Parking Facilities operations were implemented in fiscal 1981.

GENERAL FIXED ASSETS

The General Fixed Assets of the City of Lakewood are those fixed assets as described by General Accepted Accounting Principles which are used in the performance of General Governmental functions, but which exclude the fixed assets of Enterprise and/or Internal Service Funds. As of December 31, 1981, General Fixed Assets account group of the City of Lakewood, amounted to $9,591,335. This amount is representative of the estimated original cost of the assets included. Statements included do not reflect depreciation of these assets which is in accordance with Generally Accepted Accounting and Reporting Practice for Local Government operations.

GENERAL LONG-TERM DEBT

City of Lakewood has instituted an aggressive program for debt repayment designated to insure that future citizens are not burdened with high debt service payments for obsolete facilities.

The City's moderate debt burden is underscored by its ratio of net bonded debt to assessed valuations for 1981 which was 1.4%. Net bonded debt per capita is $93.65.

The City has maintained its excellent bond rating by Moody's Investors Service, despite weaknesses in the national economy. Moody's Investors Service, Inc. has rated the City's general obligation debt as Aa, and its note ratings as Moody's Investors Grade 1 (MIG-1).

ACKNOWLEDGEMENTS

Special gratitude is made to Mayor Anthony C. Sinagra, who has supported this endeavor from its inception and further to the entire City Council who have allowed financial planning to be undertaken in a responsible and progressive manner.

The preparation of the Comprehensive Annual Financial Report was especially made possible by the dedicated service of the entire staff of the Department of Finance and the special assistance and dedication of Dan M. Patrick, II, Assistant Director of Finance. Each member of the department has my sincere appreciation for the contribution made to its completion.

Appreciation is also expressed to all City Department Heads and Superintendents for their cooperation and assistance in matters pertaining to the financial affairs of the City throughout the entire fiscal year.

Sincerely,

NOTES TO FINANCIAL STATEMENTS

CITY OF LAKEWOOD, OHIO

December 31, 1981

NOTE A — DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL REPORTING ENTITY

The City's major operations include police and fire protection, waste collection, street maintenance, parks and recreation, municipal court, health and certain social services and general administration services. In addition the City owns and operates several enterprise activities, including a hospital, a water system, local sewer system and parking facilities. The following entities are not included because they are autonomous entities:

City of Lakewood School Board — provides education services to the community.

Community Development Corporation of Lakewood — performs Community Development Grant Program activities.

Lakewood Hospital Foundation, Inc. — contributes to and supports Lakewood Hospital.

Lakewood Public Library — makes available books, periodicals and reference materials to the general public.

For financial reporting purposes, the City includes all funds, account groups, agencies, boards, commissions, and authorities that are controlled by or dependent on the City's executive or legislative branches (the mayor or the council, respectively). Control by or dependence on the City was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the City, obligation of the City to finance any deficits that may occur, or receipt of significant subsidies from the City.

BASIS OF PRESENTATION

The accounting policies of the City of Lakewood conform to generally accepted accounting principles as applicable to governments.

The financial transactions of the City are recorded in individual funds and account groups. The various funds and account groups are reported by type in the financial statements. Amounts in the "total — memorandum only" columns in the financial statements represent a summation of the combined financial statement line items of the fund types and account groups and are presented only for analytical purposes. The summation includes fund types and account groups that use different bases of accounting, both restricted and unrestricted amounts, interfund transactions that have not been eliminated, and the caption "amounts to be provided," which is not an asset in the usual sense. Consequently, amounts shown in the "total — memorandum only" columns are not comparable to a consolidation and do not represent the total resources available or total revenues and expenditures/expenses of the City.

STATISTICAL SE
STATEMENTS
JUAL FUNDS
ENTERPRISE FUNDS
SPECIAL REVENUE FUNDS

NOTE A — DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Continued

PATIENT SERVICE REVENUE — NET

Patient service revenue is recorded at Lakewood Hospital's established rates with contractual adjustments and charity allowances and a provision for uncollectible accounts deducted to arrive at net patient service revenue.

GRANTS AND OTHER INTERGOVERNMENTAL REVENUES

Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other federal reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditures/expenses are incurred.

INTERFUND TRANSACTIONS

During the course of normal operations the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets and service debt. Operating subsidies are recorded as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is based on the intent of City management at the time of the transactions.

The General Fund provides administrative services to enterprise funds. Amounts charged to a fund for these services are determined by City management based on a cost allocation plan and are treated as other revenue in the General fund and as operating expenses in enterprise funds.

NOTE B — CHANGES IN FINANCIAL STATEMENT PRESENTATION AND BASIS OF ACCOUNTING

For the year ended December 31, 1981 the City has presented for the first time general purpose financial statements by fund type and account group. These general purpose financial statements present a columnar total for all funds of a particular fund type. Thus, they are not comparable to the cash basis financial statements presented in prior years.

In conjunction with the above, the City changed its basis of accounting from the cash basis to the modified accrual basis for governmental funds and the accrual basis for enterprise funds, including the capitalization of fixed assets. These changes include the recognition of income taxes and accounts receivable, the valuation of assets based on cost, the appropriate depreciation accumulated to date and charged to the enterprise funds' operations, and the accrual of accounts payable and other liabilities. Fund balances (deficits) and retained earnings as of January 1, 1981 have been restated for these changes to conform to generally accepted accounting principles.

NOTES TO FINANCIAL STATEMENTS — Continued
CITY OF LAKEWOOD, OHIO

NOTE D — INTERFUND RECEIVABLES AND PAYABLES

The following balances at December 31, 1981 represent individual fund interfund receivables and payables:

Fund	Interfund Receivables	Interfund Payables
General fund	$397,818	$420,318
Special revenue funds:		
Streets and highways	250,000	7,455
Community Development Block Grant		36,311
Enterprise funds:		
Lakewood Hospital	560,174	361,357
Steven Kovacs Health Care Center		26,335
Water		355,134
Sewer and wastewater		1,082
	$1,207,992	$1,207,992

NOTE E — ACCUMULATED UNPAID EMPLOYEE BENEFITS

City employees generally earn vacation and sick leave ranging from two to five weeks and 14 to 30 days per year, respectively, based on length of service. Except for Hospital employees who must take all vacation and sick time in the year it is earned, vacation and sick leave accumulate on a monthly basis and are fully vested when earned. Accumulated vacation leave cannot exceed 50 days at the end of any year. Accumulated sick pay cannot exceed 90 days for members of a collective bargaining unit and 120 days for other employees. However, salaried employees may convert to cash, on a three-to-one basis, sick days accumulated in excess of 120 days. Twenty five percent of unused sick leave plus any accumulated vacation leave is paid at retire or death. At December 31, 1981, accumulated vacation leave for governmental fund types approximated $354,000 and 25% of accumulated sick leave approximated $370,000. These amounts are not provided for in the accompanying financial statements. At December 31, 1981, accumulated vacation leave and sick leave for enterprise funds in the approximate amount of $103,000 have been accrued in the accompanying financial statements.

NOTE F — PENSION AND RETIREMENT PLANS

All full time employees of the City are covered by one of two state administered pension plans. The Police and Firemen's Disability and Pension Fund provides benefits to all uniformed City Police and Firemen. The employees contribute 8.5% of their annual compensation to this plan. The City contributes the remaining portion of the pension obligation, which currently is 15.6% of annual salary in the case of policemen and 20.72% in the case of firemen. In addition, the City makes semi-annual payments to the Police and Firemen's Disability and Pension Fund for its portion of past service costs determined at the time the fund was established. Payments are made from the Police and Fire Pensions special revenue fund. The City's remaining unfunded prior service cost ($9,009,718 at December 31, 1981) is to be amortized in semi-annual installments, including interest, of approximately $210,000 through the year 2035.

NOTE F — PENSION AND RETIREMENT PLANS — Continued

All employees other than police and fire employees are covered under the State of Ohio Public Employees Retirement System (PERS). Employee contributions to the system are 8.5% and the City's contribution is 13.95% of annual compensation. The unfunded past service cost of PERS is not determined by the State on a separate municipality basis. Currently, funding of the past service cost is part of the City's annual contribution.

Further disclosures concerning the City's obligations regarding the two State plans as required by FASB Statement Number 36 are not made because the information is not maintained by the plans on a municipality basis. Furthermore, amounts of unfunded vested benefits applicable to City employees covered by the two State plans are not available.

The City's 1981 pension contribution on the accrual basis was $3,252,719 for the State Public Employees Retirement System (PERS), and $1,042,956 for the Police and Firemen's Disability and Pension Fund.

NOTE G – LONG-TERM OBLIGATIONS

Debt of the City is as follows:

	Balance January 1, 1981	Additions (Reductions)	Balance December 31, 1981
Special Assessment Funds:			
9.52%, 1980 street resurfacing note	$ 162,915	$ (45,000)	$ 117,915
9.53%, 1981 street resurfacing note		128,232	128,232
9.52%, 1981 breakwall improvement note		200,000	200,000
	162,915	283,232	446,147
General Long-Term Obligations Account Group:			
9.85%, 1974 recreation note	2,285,000	(115,000)	2,170,000
10.47%, 1978 recreation note	670,000	(670,000)	
7.59%, 1980 street improvement notes	285,000	(285,000)	
9.52%, 1980 street resurfacing note	197,085		197,085
9.53%, 1981 street resurfacing note		221,768	221,768
10%, 1981 communication improvement note		150,000	150,000

NOTE G – LONG-TERM OBLIGATIONS – Continued

	Balance January 1, 1981	Additions (Reductions)	Balance December 31, 1981
General Long-Term Obligations Account Group — Continued			
9.53%, 1981 police facilities improvement note		$ 285,000	$ 285,000
9.74%, 1981 city incinerator site improvement note		50,000	50,000
9.74%, 1981 refuse truck acquisition note		1,300,000	1,300,000
11.75%, 1981 recreational facilities bonds due through 1997		2,840,000	2,840,000
3.5%, 1961 recreational facilities bonds due 1982	$ 20,000	(10,000)	10,000
3%, 1958 city hall construction bonds due through 1983	210,000	(70,000)	140,000
5.625%, 1978 air pollution equipment bonds due through 1998	720,000	(40,000)	680,000
5.625%, 1972 parking improvement bonds due through 1993	32,000	(2,000)	30,000
3.25%, 1965 hospital improvement bonds due through 1985	450,000	(90,000)	360,000
	4,869,085	3,564,768	8,433,853
Enterprise Funds:			
10.625%, 1974 parking garage improvement note	950,000	(50,000)	900,000
11.45%, 1980 sewer and wastewater improvement note	750,000	(250,000)	500,000
11.45%, 1981 sewer facilities improvement note		4,385,000	4,385,000

NOTES TO FINANCIAL STATEMENTS — Continued
CITY OF LAKEWOOD, OHIO

NOTE G — LONG-TERM OBLIGATIONS — Continued

	Balance January 1, 1981	Additions (Reductions)	Balance December 31, 1981
Enterprise Funds — Continued:			
7.25% to 8%, 1970 hospital revenue bonds due through 1998	$4,255,000	$ (235,000)	$4,020,000
5.375%, 1971 hospital improvement bonds due through 1991	440,000	(40,000)	400,000
4.75%, 1971 hospital improvement bonds due through 1994	1,220,000	(90,000)	1,130,000
6.625%, 1978 parking garage construction bonds due through 1998	3,305,000	(180,000)	3,125,000
2.5%, 1956 sewer improvement bonds	14,000	(14,000)	
4.75%, 1968 sewer plant improvement bonds due through 1990	1,430,000	(130,000)	1,300,000
6.625%, 1978 sewer construction bonds due through 1993	300,000	(20,000)	280,000
3.25%, 1956 water main construction bonds due through 1987	70,000	(10,000)	60,000
3.75%, 1960 water main construction bonds due through 1990	65,000	(7,000)	58,000
	12,799,000	3,359,000	16,158,000
TOTAL DEBT	$17,831,000	$7,207,000	$25,038,000

The 9.85%, 1974 recreation note of $2,170,000 was redeemed in January, 1982 from the cash proceeds of the 11.75%, 1981 recreational facilities bonds issued in December, 1981. Accordingly, $2,170,000 of such proceeds is included in the Debt Service fund.

NOTE G — LONG-TERM OBLIGATIONS — Continued

Annual requirements to pay principal and interest on the debt outstanding at December 31, 1981 follows:

	Enterprise Funds Debt		General Long-Term Obligations Account Group		Special Assessment Funds Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
1982	$ 6,497,000	$1,292,395	$4,586,853	$ 814,178	$446,147	$ 41,947
1983	712,000	595,375	357,000	372,987		
1984	712,000	579,862	288,000	347,387		
1985	712,000	511,103	287,000	323,831		
1986	721,000	468,747	198,000	300,331		
1987-1991	3,534,000	1,703,077	992,000	1,191,941		
1992-1996	2,420,000	719,800	1,005,000	667,543		
1997-2001	850,000	69,619	720,000	157,150		
	$16,158,000	$5,939,978	$8,433,853	$4,175,348	$446,147	$ 41,947

Debt payable includes councilmanic approved general obligation bond anticipation notes in which the full faith, credit, and general revenues of the City are irrevocably pledged. Such notes are issued by the City with one year maturity. Ohio law permits the issuance and renewal of bond anticipation notes such that the notes may remain outstanding for eight years consecutively before such notes must be retired, either from available funds of the City or from the proceeds of bonds issued to redeem the anticipation notes. The City has the legal ability to renew $6,720,000 until 1989 and $815,000 until 1988 of notes payable at December 31, 1981. The City intends to renew a substantial amount of these notes in 1982.

Special Assessment Funds notes payable are to be paid from special assessments levied against property owners which are payable over a five year period, with interest equal to the interest on the notes issued by the City for the improvements.

All bonds payable, except the 1970 Hospital Revenue Bonds in the amount of $4,020,000, are General Obligation Bonds in which the full faith, credit and general revenues of the City are irrevocably pledged .

It is the intention of the Cith that all enterprise fund obligations be paid from their operations.

NOTE G — LONG-TERM OBLIGATIONS — Continued

The City of Lakewood, Ohio 1970 Hospital Improvement Revenue Bonds trust indenture provides that the City shall establish and maintain a Hospital Revenue Fund separate and distinct from all other funds. Out of such fund, after reserving sufficient working capital, payments shall be made only to provide reasonable operating and maintenance expenses and deposit sufficient amounts into the trusteed Debt Service Fund and Debt Service Reserve Fund to meet all required payments. Any balance shall be transferred to the Surplus Fund and used to pay debt service on the general obligation bonds or notes pertaining to the Hospital, and thereafter for any other lawful hospital purpose.

Monthly payments to the Debt Service Fund shall be sufficient to pay principal and interest due on the next ensuing payment dates. Monthly payments of $10,000 shall be made to the Debt Service Reserve Fund until a balance of $1,000,000 has been accumulated. On and after June, 1978 any monies in the Debt Service Reserve Fund in excess of 150 percent of the payments required to be made in the next ensuing calendar year into the Debt Service Fund shall be transferred to the Surplus Fund. Commencing June, 1993 money in the Debt Service Reserve Fund shall be used for the payment of principal of the bonds.

The balances held by the trustee at December 31, 1981 consist of the following:

Debt service fund	$ 218,993
Debt service reserve fund	1,000,000
Surplus fund	1,478,992
	$2,697,985

Employees of the City accumulate deferred compensation for a portion of overtime hours worked based upon time and a half for Police and Fire department employees and straight time for other employees. The accumulated overtime hours worked and not paid (at current pay rates and converted to straight time hours) and reported in the long-term obligations ammount group as of December 31, 1981 follow:

Department	Hours	Amount
Police	16,953	$285,496
Fire	4,534	54,074
Other	4,895	44,510
	26,382	$384,080

Employees are entitled to receive payments in cash for their accumulated hours upon retirement or termination from the City's payroll. Police and Fire department employees can receive on a yearly basis payments for portions of overtime accumulated upon written request to the respective department Chief.

NOTE H — CONTRIBUTED CAPITAL AND UNRESERVED RETAINED EARNINGS — ENTERPRISE FUNDS:

Contributed capital for the enterprise funds (excluding Lakewood Hospital and Steven Kovacs Health Care Center) was estimated by assuming that as of January 1, 1981 the next fixed assets of such funds were acquired first through outstanding debt (less related restricted assets) and then through capital contributions of the City or others.

Amounts reported as unrestricted fund balance in the separate audited financial statements of Lakewood Hospital are reported as unreserved retained earnings in the accompanying financial statements. At December 31, 1981, Lakewood Hospital's unreserved retained earnings consisted of:

Board designated funds	$ 5,115,808
Funds designated for Debt service and held by Trustee	2,697,985
Property, plant and equipment less long term debt and unamortized bond discount	7,581,620
Undesignated	1,477,581
	$16,872,994

NOTE I — FUND BALANCE DEFICITS

At December 31, 1981, the Breakwall Improvement Fund had a fund balance deficit of $208,176 and the Police and Fire Pension Fund had a fund balance deficit of $70,538.

The Breakwall Improvement Fund is a special assessment fund established to construct a breakwall to help prevent soil erosion. The fund balance deficit results from capital outlay expenditures occuring early in the special assessment period. The deficit will be financed by the future collections of assessments which will be recognized as revenues in the year they are due.

The Police and Fire Pension Fund is a special revenue fund established to collect property tax revenues which are legally restricted to expenditures for the police and fire pension costs. The fund balance deficit results from a permanent timing difference between revenue and expenditure recognition. Expenditures for the current year include fourth quarter pension liablities due by March 31 of the following year. These liabilities are paid from property tax revenues recognized in the first quarter of that year, resulting in a fund balance deficit at the current year end. The City has the authority to levy sufficient property taxes to provide all monies for police and fire pension liabilities.

NOTE J — EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Budgetary control for General and special revenue fund expenditures is established by each fund's total appropriations. For the year ended December 31, 1981, the Streets and Highway Fund had expenditures of $1,254,000 which exceeded its appropriations of $1,036,000. The City intends to amend the appropriation ordinance by increasing appropriations to equal or exceed expenditures.

NOTE K — INCOME TAXES

During 1981 the City levied income tax of 1.5% on substantially all income earned within the City. In addition, residents are required to pay City income tax on income earned outside the City; however, partial credit is allowed for income taxes paid to other municipalities.

NOTE N — SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains four major enterprise funds which provide hospital, water, sewer and parking services and two other enterprise funds for the Steven Kovacs Health Care Center and the Congregational Living Facility. Information for the year ended December 31, 1981 for the four major enterprise funds and other funds is summarized as follows:

	Lakewood Hospital	Water	Sewer and Wastewater	Parking Facilities	Other	Total Enterprise Funds
Operating revenues	$40,627,826	$1,953,002	$ 2,227,116	$ 897,208	$582,586	$46,287,738
Depreciation and amortization expense	1,067,030	31,558	139,369	142,115	12,846	1,392,918
Operating income (loss)	3,908,538	(183,665)	454,186	328,869	(1,860)	4,506,068
Operating grants					9,992	9,992
Operating transfers:						
In					39,292	39,292
(Out)	(39,292)					(39,292)
Tax revenues			793,115			793,115
Net income (loss)	3,129,698	(188,231)	355,037	72,825	8,132	3,377,461
Current capital contributions		21,712	3,321,803			3,343,515
Net additions to property, plant, and equipment	1,639,305	52,623	4,064,517		23,002	5,779,447
Net working capital (deficit)	1,345,281	97,776	2,075,965	(46,824)	(1,178)	3,471,020
Total identifiable assets	32,987,228	1,539,864	15,454,297	6,110,354	167,885	56,259,628
Bonds and other long-term liabilities payable from operating revenues	5,550,000	118,000	6,465,000	4,025,000		16,158,00
Total equity	$ 20,676,638	$ 547,230	$ 7,490,841	$1,952,567	$ 92,556	$ 30,759,832

NOTE O — DEBT SERVICE FUND

At December 31, 1981, the Debt Service Fund's cash and fund balances contain $2,170,000 of proceeds from bonds issued in December, 1981, and used to redeem notes due in January, 1982. Both the bonds and the notes are recorded in the General Long-Term Obligations Account Group.

NOTE P — OTHER ASSETS

Other assets consist of the following noncurrent accounts of Lakewood Hospital as of December 31, 1981:

Assets held by Trustee — cash and short-term investments	$2,697,985
Board designated assets — funded depreciation — short-term cash investments, including accrued interest	5,115,808
Deferred receivable — Blue Cross	132,300
Unamortized bond discount	81,544
	$8,027,637

NOTE Q — SUBSEQUENT EVENTS

In March, 1982 the City issued $23,710,000 of City of Lakewood, Ohio, Hospital Improvement Revenue Bonds, 1982 Series to finance a portion of a $31,935,000 remodeling and expansion program of existing Hospital facilities. Maturity of the bonds ranges from $90,000 in 1985 to $2,950,000 in 2014, payable in annual installments. Interest is due semi-annually at rates varying from 9¼% to 14%, respectively.

The trust indenture provides that, among other things, after meeting all reasonable operating and maintenance costs from the Hospital Revenue Fund, the City of Lakewood shall make payments to the trustee in amounts sufficient to pay principal and interest due on the next ensueing payment date. In addition; at the time of issuance of the Series 1982 bonds, a sum equal to the maximum amount payable for principal and interest in any calendar year was deposited with the trustee.

Statement C-1

COMBINING BALANCE SHEETS — ALL ENTERPRISE FUNDS

CITY OF LAKEWOOD, OHIO

December 31, 1981

	Lakewood Hospital	Steven Kovacs Health Care Center	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Totals
ASSETS							
Cash and cash equivalents	$ 1,259,541	$ 25,355	$ 425,931	$ 1,419,115	$ 84,353	$ 6,407	$ 3,220,702
Receivables:							
Accounts	5,906,888	66,081	543,620	152,351			6,668,940
Other	38,258						38,258
Less: allowance for doubtful accounts	720,312	27,268					747,580
	5,224,834	38,813	543,620	152,351			5,959,618
Due from third-party payors	261,728						261,728
Due from other funds	560,174						560,174
Due from other governments				1,095,455			1,095,455
Inventory of supplies at cost	359,180						359,180
Prepaid expenses	79,057	3,576	2,859	5,350	1,610		92,452
Other assets	8,027,637						8,027,637
Restricted cash and cash equivalents	4,165,001			3,809,663			7,974,664
Fixed assets in service:							
Land and land improvements	152,777			55,483	126,631	21,980	356,871
Utility plant in service			1,720,519	8,224,052			9,944,571
Buildings, structures and improvements	17,567,579	29,987			7,105,735	24,406	24,727,707
Machinery and equipment	5,885,010	75,106	101,037	124,689			6,185,842
Less: accumulated depreciation	10,829,024	45,298	1,254,102	3,136,506	1,207,975	12,447	16,485,352
	12,776,342	59,795	567,454	5,267,718	6,024,391	33,939	24,729,639
Construction in progress	273,734			3,704,645			3,978,379
	$32,987,228	$127,539	$1,539,864	$15,454,297	$6,110,354	$ 40,346	$56,259,628

COMBINING BALANCE SHEETS — ALL ENTERPRISE FUNDS

CITY OF LAKEWOOD, OHIO

December 31, 1981

	Lakewood Hospital	Steven Kovacs Health Care Center	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Totals
LIABILITIES AND DEBT							
Accounts payable	$ 1,513,618	$ 23,893	$ 210,472	$ 117,849	$ 26,673	$ 251	$ 1,892,756
Deferred revenue from third parties	1,584,315						1,584,315
Due to third party payors	752,000						752,000
Current financing advance — Blue Cross	527,400						527,400
Due to other funds	361,357	26,335	355,134	1,082			743,908
Due to other governments			14,127	23,263	4,877		42,267
Accrued wages and benefits	1,798,013	22,289	76,107	111,195	25,237		2,032,841
Accrued interest			1,031	342,917	48,914		392,862
Other liabilities	223,887	1,393	217,763		27,086	1,168	471,297
Payable from restricted assets				902,150			902,150
Debt:							
Notes payable				4,885,000	900,000		5,785,000
General obligation bonds payable			118,000	1,580,000	3,125,000		4,823,000
Hospital improvement bonds payable	1,530,000						1,530,000
Hospital improvement revenue bonds payable	4,020,000						4,020,000
	5,550,000		118,000	6,465,000	4,025,000		16,158,000
CONTRIBUTED CAPITAL AND RETAINED EARNINGS							
Contributed capital — City of Lakewood and others			409,432	5,763,405	1,867,450	33,939	8,074,226
Retained earnings (deficit):							
Reserved for restricted assets	3,803,644			2,907,513			6,711,157
Unreserved	16,872,994	53,629	137,798	(1,180,077)	85,117	4,988	15,974,449
	20,676,638	53,629	137,798	1,727,436	85,117	4,988	22,685,606
	20,676,638	53,624	547,230	7,490,841	1,952,567	38,927	30,759,832
	$32,987,228	$127,539	$1,539,864	$15,454,297	$6,110,354	$ 40,346	$56,259,628

Statement C-2

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS — ALL ENTERPRISE FUNDS
CITY OF LAKEWOOD, OHIO
December 31, 1981

	Lakewood Hospital	Steven Kovacs Health Care Center	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Totals
OPERATING REVENUES							
Patient service revenue — net	$38,147,643	$ 557,058					$38,704,701
Other charges for services			$1,953,002	$1,433,830	$897,145		4,283,977
Other operating revenue	596,974			793,286	63	$ 7,912	1,398,235
TOTAL OPERATING REVENUES	38,744,617	557,058	1,953,002	2,227,116	897,208	7,912	44,386,913
OPERATING EXPENSES							
Personal services	18,946,123	421,992	326,802	581,728	156,587		20,433,232
Benefit payments	3,985,747	50,760	92,645	164,892	29,396		4,323,440
Purchased water			1,170,327				1,170,327
Heat, light and power	862,244	12,051	414,072	317,681	49,667	1,605	1,657,320
Contractual services	2,395,685		85,417	87,979	9,408		2,579,489
Supplies and materials	6,307,763	52,669	14,846	481,281	162,860	1,777	7,021,196
Depreciation	1,067,030	12,358	31,558	139,369	142,115	488	1,392,918
Other	3,894,244	68,870			18,306	1,168	3,982,588
TOTAL OPERATING EXPENSES	37,458,836	618,700	2,136,667	1,772,930	568,339	5,038	42,560,510
OPERATING INCOME (LOSS)	1,285,781	(61,642)	(183,665)	454,186	328,869	2,874	1,826,403
NONOPERATING REVENUES (EXPENSES)							
Operating grants		9,992					9,992
Interest revenue and contributions	1,883,209	17,616		273,381			2,174,206
Interest expense and fiscal charges			(4,566)	(372,530)	(256,044)		(633,140)
TOTAL NONOPERATING REVENUES (EXPENSES)	1,883,209	27,608	(4 ,566)	(99,149)	(256,044)		1,551,058
INCOME (LOSS) BEFORE OPERATING TRANSFERS	3,168,990	(34,034)	(188,231)	355,037	72,825	2,874	3,377,461
Operating transfers — in (out)	(39,292)	39,292					
NET INCOME (LOSS)	3,129,698	5,258	(188,231)	355,037	72,825	2,874	3,377,461
Depreciation on fixed assets acquired by contributed capital — City of Lakewood and others			23,670	70,130	44,056	488	138,344
INCREASE (DECREASE) IN RETAINED EARNINGS	3,129,698	5,258	(164,561)	425,167	116,881	3,362	3,515,805
Retained earnings (deficits)—January 1	17,546,940	48,371	302,359	1,302,269	(31,764)	1,626	19,169,801
Retained earnings — December 31	$20,676,638	$ 53,629	$ 137,798	$1,727,436	$ 85,117	$ 4,988	$22,685,606

Statement C-3

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION — ALL ENTERPRISE FUNDS

CITY OF LAKEWOOD, OHIO

December 31, 1981

	Lakewood Hospital	Steven Kovacs Health Care Center	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Totals
SOURCES OF WORKING CAPITAL							
Operations:							
Net income (loss)	$ 3,129,698	$ 5,258	$ (188,231)	$ 355,037	$ 72,825	$ 2,874	$ 3,377,461
Items not requiring (providing) working capital:							
Depreciation and amortization	1,071,998	12,358	31,558	139,369	142,115	488	1,397,886
Decrease in deferred revenue	(17,661)	(11,482)					(29,143)
WORKING CAPITAL PROVIDED (USED) BY OPERATIONS	4,184,035	6,134	(156,673)	494,406	214,940	3,362	4,746,204
Proceeds of notes				4,485,000			4,485,000
Increase in contributed capital			21,712	3,321,803			3,343,515
Net increase (decrease) in liabilities payable from restricted assets	(68,275)			902,150			833,875
TOTAL SOURCES OF WORKING CAPITAL	4,115,760	6,134	(134,961)	9,203,359	214,940	3,362	13,408,594
USES OF WORKING CAPITAL							
Acquisition of property, plant and equipment — net	1,639,305	23,022	52,623	4,064,517			5,779,467
Retirement of notes				350,000	50,000		400,000
Retirement of general obligation bonds			17,000	164,000	180,000		361,000
Retirement of hospital improvement bonds	130,000						130,000
Retirement of hospital improvement revenue bonds	235,000						235,000
Increase in other assets	2,040,238						2,040,238
Net increase (decrease) in restricted assets	(228,135)			3,224,384			2,996,249
TOTAL USES OF WORKING CAPITAL	3,816,408	23,002	69,623	7,802,901	230,000		11,941,954
NET INCREASE (DECREASE) IN WORKING CAPITAL	$ 299,352	$ (16,868)	$ (204,584)	$1,400,458	$ (15,060)	$ 3,362	$ 1,466,660

Statement C-3 (Continued)

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION — ALL ENTERPRISE FUNDS — Continued

CITY OF LAKEWOOD, OHIO

December 31, 1981

	Lakewood Hospital	Steven Kovacs Health Care Center	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Totals
ELEMENTS OF INCREASE (DECREASE) IN WORKING CAPITAL							
Cash and cash equivalents	$ 446,581	$ (20,371)	$ 35,033	$ 686,773	$ 15,428	$ 3,375	$ 1,166,819
Receivables (net of allowances for doubtful accounts)	858,259	10,834	128,099	11,778	(4,675)		1,004,295
Due from other funds	101,318						101.318
Due from other governments				994,996			994,996
Inventory of supplies	4.345						4,345
Prepaid expenses	718	876	1,185	2,896	791		6,466
Accounts payable	(508,113)	7,834	(207,149)	14,576	(14,753)		(707,605)
Deferred grant revenue			216,659				216,659
Due to third party payors (net)	(202,272)						(202,272)
Due to unrestricted funds	(50,431)						(50,431)
Due to other funds		825	(355,134)	434			(353,875)
Due to other governments	(63,300)		200,707	(6,200)	1,613		132,820
Accrued wages and benefits	(432,132)	(17,312)	(6,368)	(16,382)	4,144		(468,050)
Accrued interest			147	(288,413)	(12,918)		(301,184)
Other liabilities	144,379	446	(217,763)		(4,690)	(13)	(77,641)
NET INCREASE (DECREASE) IN WORKING CAPITAL	$ 299,352	$ (16,868)	$ (204,584)	$1,400,458	$ (15,060)	$ 3,362	$ 1,466,660

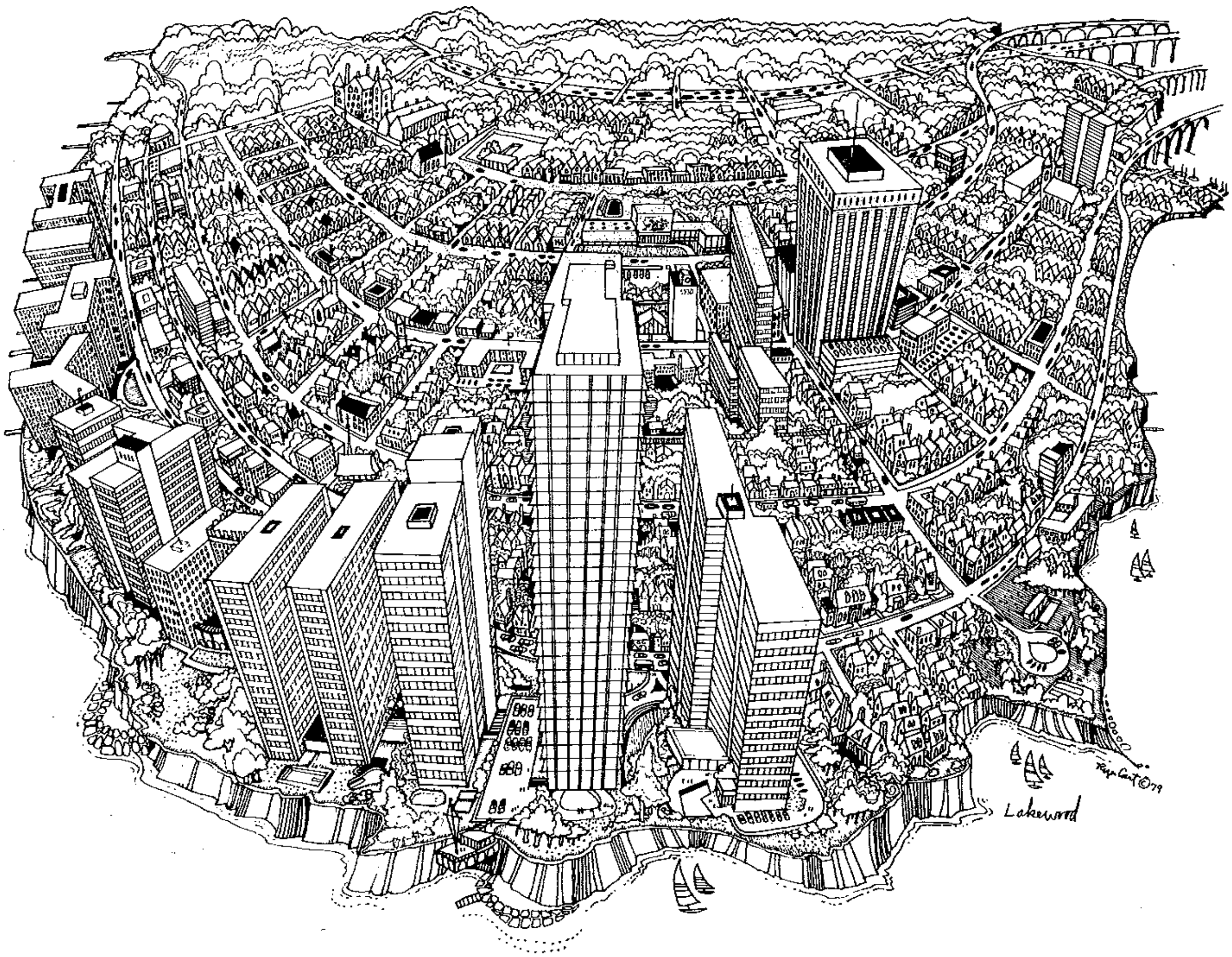
Table 11

CITY OF LAKEWOOD, OHIO

Revenue Bond Coverage
Hospital Bonds

Last Ten Fiscal Years

Fiscal Year	Gross Revenue	Direct Operating Expenses	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1972	$11,183,335	$10,919,099	$ 264,236	$130,000	$147,460	$277,460	$ .95
1973	12,748,509	12,475,647	272,862	130,000	133,000	263,000	1.04
1974	14,336,440	13,327,111	1,009,329	365,000	576,544	941,544	1.07
1975	16,706,914	16,102,355	604,559	365,000	553,081	918,081	.66
1976	19,762,057	18,579,383	1,182,674	365,000	529,619	894,619	1.32
1977	21,831,373	20,526,079	1,305,294	365,000	506,156	871,156	1.50
1978	23,696,565	21,925,090	1,771,475	365,000	482,694	847,694	2.09
1979	26,636,982	24,867,725	1,769,257	365,000	459,231	824,231	2.15
1980	32,087,158	30,120,479	1,966,679	365,000	435,769	800,769	2.46
1981	$39,776,340	$36,936,770	$2,839,570	$365,000	$414,456	$779,456	$3.64



The City of Lakewood, Ohio

Comprehensive Annual Financial Report

For the year ended December 31, 1982

creating private investment of over $9,000,000 or 6 to 1 ratio. The City has received the 1982 American Planning Association first place award for excellence in Planning for the City's "Storefront Renovation Program," using these leveraged funds.

- The Financial Management Team has been awarded the Municipal Finance Officers Association (MFOA) Certificate of Conformance for the 1981 published CAFR. The City is the fourth agency in the State of Ohio to receive this honor. This team has also initiated an internal audit function and full implementation of a new cash management system during the 1982 fiscal year. The good management further is reflected by the receipt by the City of Lakewood Hospital of the Blue Cross-Blue Shield Hospital Cost Containment Award.

- The City has tackled a problem regarding shore erosion on Lake Erie by a unique implementation of breakwalls through the use of special assessment financing.

- The City continues to be rated AA by Moody's Investors Services even though the region is suffering through difficult economic times.

- The City has continued its attempt at replenishments of its assets and property as evidenced by $21.5 million of construction in progress at year end 1982 and capital outlay expenditures in governmental funds of approximately $2 million.

CITY OF LAKEWOOD

The City of Lakewood is a municipal corporation organized and existing under the Constitution and Laws of the State of Ohio. The City provides general governmental services for the territory contained within its boundaries, including; police and fire protection, disposal of garbage and rubbish, water services, sewer services, street maintenance, street construction and reconstruction, and cultural, park and recreational facilities. The City also offers extensive services for senior citizens.

The City is served by Lakewood Hospital, an acute care facility which is located in the center of the City, has 410 beds, admits about 11,200 patients annually, has over 1,235 employees and an annual payroll of approximately $23 million. Lakewood Hospital is owned by the City and operated by a Board of Trustees. The Mayor serves as the President of the Board.

All funds and entities related to the City of Lakewood are included in the CAFR and controlled by the City. Criteria used to determine or evaluate the reporting entity was The National Council on Governmental Accounting (NCGA) Statement 3, "Defining the Governmental Reporting Entity," which includes the exercise of oversight responsibility, the scope of public service and special financing relationships.

CITY OF LAKEWOOD, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 1982

NOTE A – DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL REPORTING ENTITY

The City's major operations include police and fire protection, waste collection, street maintenance, parks and recreation, municipal court, health and certain social services and general administration services. In addition the City owns and operates several enterprise activities, including a hospital, a water system, a local sewer system and parking facilities. The following entities are not included because they are autonomous entities:

City of Lakewood School Board – provides education services to the community.

Community Development Corporation of Lakewood – performs Community Development Grant Program activities.

Lakewood Hospital Foundation, Inc. – contributes to and supports Lakewood Hospital.

Lakewood Public Library – makes available books, periodicals and reference materials to the general public.

For financial reporting purposes, the City includes all funds, account groups, agencies, boards, commissions, and authorities that are controlled by or dependent on the City's executive or legislative branches (the mayor or the council, respectively). Control by or dependence on the City was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the City, obligation of the City to finance any deficits that may occur, or receipt of significant subsidies from the City.

BASIS OF PRESENTATION

The accounting policies of the City conform to generally accepted accounting principles as applicable to governments.

NOTE A – DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

RESTRICTED ASSETS

Restricted assets consist of Lakewood Hospital assets whose use has been restricted by donors or third-party payors and Sewer and Wastewater debt proceeds whose use is restricted to construction projects. The amount of restricted assets less payables from restricted assets is reported as a reservation of enterprise fund retained earnings.

FIXED ASSETS

Fixed assets include land, utility plant in service, buildings, improvements and equipment owned by the City. Infrastructure including streets, bridges, and sidewalks is not included.

Fixed assets acquired or constructed for general governmental purposes are reported as expenditures in the fund that finances the asset acquisition and capitalized in the General Fixed Assets Account Group. Property and equipment acquired by proprietary funds are reported in those funds. All fixed assets are recorded at cost or at estimated fair market value at time of donation.

The City's hospital enterprise fund is remodeling and expanding existing hospital facilities. The total estimated cost of the project is $26.4 million. Costs incurred to date of approximately $6.8 million are recorded as construction in progress.

The City's Sewer and Wastewater enterprise fund is making improvements to its sewage treatment and disposal plant. The total estimated cost of the project is $18 million. Costs incurred to date of approximately $14.4 million are recorded as construction in progress.

The City's policy is to capitalize interest on proprietary funds' construction projects until substantially completed and credit investment earnings to construction costs where appropriate. The amount of interest capitalized in 1982 was $2,744,000 and the amount of investment income credited to construction costs was $2,452,000.

DEPRECIATION

No depreciation is provided on general fixed assets. Depreciation is charged to operations of proprietary funds over the fixed assets' estimated useful lives using the straight-line method. The following lives are used:

Utility plant in service	50-80 years
Buildings and improvements	20-50 years
Motor vehicles and motorized equipment	6-15 years
Furniture, machinery, and equipment	10-15 years

NOTE A – DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

DEFERRED REVENUE

For Medicare and Blue Cross reimbursement purposes, Lakewood Hospital computes depreciation using accelerated methods. The increase in the reimbursements resulting therefrom has been recorded as deferred revenue.

ENCUMBRANCES

As part of formal budgetary control over governmental funds, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as expenditures on the non-GAAP budget basis in order to reserve that portion of the applicable appropriation. On the GAAP basis, encumbrances outstanding at year end, other than those accrued as expenditures, are reported as reservations of fund balance for subsequent-year expenditures for the governmental funds.

PATIENT SERVICE REVENUE – NET

Patient service revenue is recorded at Lakewood Hospital's established rates with contractual adjustments and charity allowances and a provision for uncollectible accounts deducted to arrive at net patient service revenue.

GRANTS AND OTHER INTERGOVERNMENTAL REVENUES

Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other federal reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditures/expenses are incurred.

INTERFUND TRANSACTIONS

During the course of normal operations the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. Operating subsidies are recorded as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is based on the intent of City management at the time of the transactions.

NOTE A – DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The General Fund provides administrative services to enterprise funds. Amounts charged to a fund for these services are determined by City management based on a cost allocation plan and are treated as other revenue in the General Fund and as operating expenses in enterprise funds.

NOTE B – CHANGES IN ACCOUNTING POLICIES

Prior to 1982, expenditures on the budget basis were recorded only when paid in cash. Effective January 1, 1982, the City changed its basis of budgetary accounting to also record encumbrances as expenditures. This basis provides better budgetary control over governmental funds by reserving the encumbered portion of the applicable appropriation. The budgetary fund balances as of January 1, 1982 have been restated for this change. The accounting change decreased the 1982 budget basis excess of revenues and other sources over (under) expenditures and other uses by $107,844 for the General Fund and $299,694 for the Special Revenue Funds.

Prior to 1982, the City followed the practice for its governmental fund types of not recording the liability for accumulated vacation and sick leave benefits. Effective January 1, 1982, in accordance with Financial Accounting Standards Board Statement No. 43 and National Council on Governmental Accounting Statement No. 4, the City began recording such accumulated benefits as liabilities in the General Long-Term Obligations Account Group.

NOTE C – FUND CHANGES

Two new funds were established in 1982. The Litter Control Grant Fund is a special revenue fund used to account for the proceeds of a grant from the State of Ohio. The Housing Rehabilitation Fund is a special assessment fund used to account for the financing of housing rehabilitation for which special assessments are levied against the homeowners.

Two funds were closed in 1982. The Comprehensive Employment Training Act (CETA) Grant Fund was a special revenue fund used to account for the proceeds of a grant which expired in 1981. The Steven Kovacs Health Care Center was an enterprise fund used to account for the operations of a primary care group practice which ceased operations as of Jaunary 1, 1982 at which date its net assets were transferred to the Lakewood Hospital Fund.

NOTE D — CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance January 1, 1982	Additions	Deletions	Balance December 31, 1982
Land and land improvements	$ 574,874	$ 20,000	$ 13,210	$ 581,664
Building, structures and improvements	5,623,562	205,202		5,828,764
Machinery and equipment	3,187,697	1,174,101	277,876	4,083,922
Construction in progress	205,202	409,811	205,202	409,811
	$9,591,335	$1,809,114	$ 496,288	$10,904,161

NOTE E — INTERFUND RECEIVABLES AND PAYABLES

The following balances at December 31, 1982 represented individual fund interfund receivables and payables:

Fund	Interfund Receivables	Interfund Payables
General fund	$399,458	$182,930
Special revenue funds:		
Streets and highways		7,455
Community Development Block Grant		232
Debt service fund		143,630
Special assessment funds:		
Local street and sidewalk improvement	143,630	
Enterprise funds:		
Lakewood Hospital	253,281	59,869
Water		354,052
Parking Facilities	21,919	70,120
	$818,288	$818,288

CITY OF LAKEWOOD, OHIO

NOTES TO FINANCIAL STATEMENTS —Continued

NOTE H – DEBT AND OTHER LONG-TERM OBLIGATIONS – Continued

	Balance January 1, 1982	Additions (Reductions)	Balance December 31, 1982
General Long-Term Obligations			
Account Group:			
9.85%, 1974 recreation note	2,170,000	(2,170,000)	
9.625%, 1980 street resurfacing note	197,085	(59,438)	137,647
10%, 1981 communication improvement note	150,000	(150,000)	
9.53%, 1981 police facilities improvement note	285,000	(285,000)	
9.74%, 1981 city incinerator site improvement note	50,000	(50,000)	
8.73%, 1981 refuse truck acquisition note	1,300,000	(300,000)	1,000,000
9.625%, 1981 street resurfacing note	221,768	(44,353)	177,415
9.25%, 1982 traffic signal note		110,000	110,000
9.93%, 1982 street resurfacing note		298,832	298,832
9.93%, 1982 fire truck acquisition note		450,000	450,000
9.93%, 1982 recreation note		325,000	325,000
3.5%, 1961 recreational facilities bonds due 1982	10,000	(10,000)	
3%, 1958 city hall construction bonds due through 1983	140,000	(70,000)	70,000
3.25%, 1965 hospital improvement bonds due through 1985	360,000	(90,000)	270,000
5.625%, 1978 air pollution equipment bonds due through 1998	680,000	(40,000)	640,000
5.625%, 1972 parking improvement bonds due through 1993	30,000	(3,000)	27,000
11.75%, 1981 recreational facilities bonds due through 1997	2,840,000	–0–	2,840,000
	8,433,853	(2,087,959)	6,345,894

NOTE H – DEBT AND OTHER LONG-TERM OBLIGATIONS – Continued

	Balance January 1, 1982	Additions (Reductions)	Balance December 31, 1982
Enterprise Funds:			
8.83%, 1974 parking garage improvement note	900,000	(200,000)	700,000
8.83%, 1980 sewer and wastewater improvement note	500,000	(50,000)	450,000
8.83%, 1981 sewer facilities improvement note	4,385,000	(35,000)	4,350,000
9.93%, 1982 Cohasett water main note		250,000	250,000
5.375%, 1971 hospital improvement bonds due through 1991	400,000	(40,000)	360,000
4.75%, 1971 hospital improvement bonds due through 1994	1,130,000	(90,000)	1,040,000
7.25% to 8%, 1970 hospital revenue bonds due through 1998	4,020,000	(235,000)	3,785,000
9.25% to 14%,1982 hospital improvement bonds due 1985 through 2014		23,710,000	23,710,000
3.25%, 1956 water main construction bonds due through 1987	60,000	(10,000)	50,000
3.75%, 1960 water main construction bonds due through 1990	58,000	(7,000)	51,000
4.75%, 1968 sewer plant improvement bonds due through 1990	1,300,000	(130,000)	1,170,000
6.625%, 1978 sewer construction bonds due through 1993	280,000	(20,000)	260,000
6.625%, 1978 parking garage construction bonds due through 1998	3,125,000	(180,000)	2,945,000
	16,158,000	22,963,000	39,121,000
TOTAL DEBT	$25,038,000	$21,255,000	$46,293,000

NOTE H – DEBT AND OTHER LONG-TERM OBLIGATIONS – Continued

Annual maturity and sinking fund requirements to pay principal and interest on the obligations outstanding at December 31, 1982 follow:

	Special Assessment Funds Debt		General Long-Term Obligations Account Group		Enterprise Funds Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
1983	$611,106	$ 61,789	$2,855,894	$ 607,419	$ 6,462,000	$ 4,379,838
1984	20,000	19,081	288,000	347,388	712,000	3,827,300
1985	20,000	17,306	287,000	323,831	802,000	3,780,928
1986	20,000	15,531	198,000	300,331	816,000	3,729,778
1987	20,000	13,756	197,000	279,709	821,000	3,676,884
1988-1992	110,000	41,712	998,000	1,087,962	4,068,000	17,531,599
1993-1997	25,000	2,219	1,002,000	562,112	3,595,000	14,506,644
1998-2002			520,000	86,850	2,815,000	14,431,606
2003-2007					4,615,000	12,196,800
2008-2012					8,880,000	7,927,500
2013-2014					5,535,000	1,187,900
	$826,106	$171,394	$6,345,894	$3,595,602	$39,121,000	$87,176,777

Notes payable represent councilmanic approved general obligation bond anticipation notes in which the full faith, credit, and general revenues of the City are irrevocably pledged. Such notes are issued by the City with one year maturity. Ohio law permits the issuance and renewal of bond anticipation notes such that the notes may remain outstanding for ten years consecutively before such notes must be retired either from available funds of the City or from the proceeds of bonds issued to redeem the anticipation notes. The City has the legal ability to renew $670,000 until 1990, $5,630,000 until 1991 and $1,860,000 until 1992 of notes payable at December 31, 1982. The City intends to renew or convert to bonds a substantial amount of these notes in 1983.

Special Assessment Funds bonds and notes payable are to be paid from special assessments levied against property owners which are payable over periods ranging from five to ten years, with interest equal to the interest on the bonds and notes issued by the City for the improvements.

All bonds payable, except the 1982 and 1970 hospital revenue bonds, are general obligation bonds in which the full faith, credit, and general revenues of the City are irrevocably pledged.

It is the intention of the City that all enterprise fund obligations be paid from their operations.

NOTE H — DEBT AND OTHER LONG-TERM OBLIGATIONS — Continued

The City has the ability to issue $16.4 million of additional debt without obtaining voter approval.

The trust indenture relating to the City of Lakewood, Ohio Hospital Improvement Revenue Bonds, 1982 Series (1982 Bonds) and the City of Lakewood, Ohio 1970 Hospital Improvement Revenue Bonds (1970 Bonds) provides that the City of Lakewood shall establish and maintain a Hospital Revenue Fund separate and distinct from all other funds. The trust indenture also provides that, after meeting all reasonable operating and maintenance costs from the Hospital Revenue Fund, the City of Lakewood shall make payments into certain Special Funds established by the indenture as follows:

Debt Service Fund: Monthly payments shall first be made sufficient to pay principal and interest on the next ensuing payment dates for the 1970 Bonds under the terms of the original trust indenture dated August 1, 1970. Monthly payments shall then be made sufficient to pay principal and interest on the next ensuing payment dates for the 1982 Bonds.

Debt Service Reserve Fund: At the time of the issuance of the 1982 Bonds, a sum equal to the maximum amount payable to the Debt Service Fund in any year was made to the Debt Service Reserve Fund. In addition, excess monies relating to funds previously deposited in the Debt Service Reserve Fund from the 1970 Bonds were transferred to other Special Funds. Commencing June 1, 1993, the remaining monies related to the 1970 Bonds deposited in the Debt Service Reserve Fund will be used for the payment of principal of the 1970 Bonds. No additional deposits into the Debt Service Reserve Fund are required, provided there has been no deficiency in any monthly deposit to the Debt Service Fund.

Depreciation Reserve Fund: Any amount required to be deposited into the Surplus Fund as established by the original trust indenture dated August 1, 1970 shall now be made to the Depreciation Reserve Fund. In addition, commencing in November, 1984, one twelfth of the amount by which depreciation expense exceeds that year's principal requirements shall be deposited into this fund.

The trust indenture also established a Construction Fund from which the net proceeds from the sale of the Series 1982 Bonds are to be used to finance the completion of the renovation and remodeling of the Hospital's facilities.

NOTE M — CONTINGENCIES & COMMITTMENTS

There are several lawsuits pending in which the City is involved. City management estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City.

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, will be immaterial.

The City had no material lease committments at December 31, 1982.

NOTE N — OTHER ASSETS

Other assets consist of the following non-current accounts of Lakewood Hospital as of December 31, 1982:

Assets held by Trustee — cash and short-term investments	$28,669,576
Board designated assets — funded depreciation — short-term cash investments, including accrued interest	455,050
Unamortized bond financing costs	996,062
	$30,120,688

CITY OF LAKEWOOD, OHIO

NOTES TO FINANCIAL STATEMENTS — Continued

NOTE O — SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains four major enterprise funds which provide hospital, water, sewer and parking services. Other enterprise funds consist of the Congregational Living Facility and Steven Kovacs Health Care Center. Information for the year ended December 31, 1982 for the four major enterprise funds and the other funds is summarized as follows:

	Lakewood Hospital	Water	Sewer and Wastewater	Parking Facilities	Other	Total Enterprise Funds
Operating revenues	$45,097,457	$2,505,247	$2,548,005	$1,236,114	$7,520	$51,394,343
Depreciation and amortization expense	1,202,529	35,563	147,413	142,115	488	1,528,108
Operating income (loss)	2,832,876	(26,650)	458,511	470,137	3,076	3,737,950
Operating transfers:						
In	53,629					53,629
(Out)					(53,629)	(53,629)
Tax revenues			685,484			685,484
Net income (loss)	5,175,761	(30,473)	768,081	209,038	(50,553)	6,071,854
Current capital contributions		86,152	8,987,000			9,073,152
Net additions to property, plant and equipment	8,182,344	258,502	10,954,416		(59,795)	19,335,467
Net working capital (deficit)	3,678,240	11,916	3,013,389	(75,671)	8,552	6,636,426
Total identifiable assets	62,657,387	1,738,169	25,872,774	5,981,148	42,571	96,292,049
Bonds and other long-term liabilities payable from operating revenues	28,895,000	101,000	1,430,000	2,945,000		33,371,000
Total equity	25,852,399	451,309	17,397,522	2,161,605	42,003	45,904,838

NOTE P – SUBSEQUENT EVENTS

In April, 1983, the City of Lakewood issued $31,695,000 Hospital Improvement Revenue Bonds, Series 1983-A (1983 Bonds) to advance refund the Hospital Improvement Revenue Bonds, 1982 Series (1982 Bonds) and the 1970 Hospital Improvement Revenue Bonds (1970 Bonds). The 1983 Bonds will mature in annual installments ranging from $250,000 in 1985 to $22,540,000 in 2014 with interest due each February 1 and August 1 at rates varying from 5 3/4% to 9 7/8%. Early redemption provisions are available.

At the time of issuance, funds held by the trustee relating to the 1982 and 1970 Bonds were transferred to various Special Funds as established by the trust indenture. In addition, the trust indenture provides that, after meeting all reasonable operating and maintenance costs from the Hospital Revenue Fund, the City of Lakewood shall make payments into the various Special Funds as follows:

Debt Service Fund: Monthly payments sufficient to pay principal and interest due on the next ensuing payment dates.

Debt Service Reserve Fund: Commencing in November, 1984, monthly payments equaling one-twelfth of the amount by which depreciation expense as defined by the trust indenture exceeds that year's principal requirements.

The estimated required payments into these funds and principal payments on other outstanding hospital-long-term debt from 1983 to 1986 are as follows:

1983	$ 130,000
1984	2,513,000
1985	3,316,000
1986	3,333,000
1987	3,363,000

This advance refunding resulted in a loss on refinancing of approximately $4,400,000. Such loss will be charged against hospital operations as an extraordinary item during the year ending December 31, 1983, net of the amount receivable from third party payors which is expected to approximate $1,300,000 over an estimated period of five years.

In May 1983, the City issued $400,000 and $800,000 of one year councilmanic approved general obligation notes with interest at 5.37% for replacement of water mains and sewer lines, respectively.

CITY OF LAKEWOOD, OHIO

ENTERPRISE FUNDS

COMBINING FINANCIAL STATEMENTS

Enterprise funds are set up to account for the acquisition and operation of governmental facilities and services that are entirely or predominately self-supporting from user charges. The City of Lakewood operates the following enterprise activities:

LAKEWOOD HOSPITAL FUND	To account for the health care services provided by the City owned and operated hospital.
STEVEN KOVACS HEALTH CARE CENTER FUND	To account for primary physician services that was established with the assistance of a grant from the Robert Woods Foundation. The physicians, under the provisions of the grant, have re-organized and have established themselves in the City.
WATER FUND	To account for the provision of water distribution to the residents and commercial users of the City.
SEWER AND WASTEWATER FUND	To account for sanitary sewer services provided to the residential and commercial users of the City.
PARKING FACILITIES FUND	To account for off-street parking services provided by the City.
CONGREGATIONAL LIVING FACILITY	To account for residential accommodations for senior citizens provided by the City.

All activities necessary to provide the above services are accounted for in each particular fund including, but not limited to, administration, operations, maintenance, financing, related debt service, bill, and collection.

STATEMENT C-1

CITY OF LAKEWOOD, OHIO

COMBINING BALANCE SHEET — ALL ENTERPRISE FUNDS
December 31, 1982

	Lakewood Hospital	Steven Kovacs Health Care Center	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Totals 1982	Totals 1981
ASSETS								
Cash and cash equivalents	$ 4,305,767		$ 399,529	$ 840,071	$ 76,034	$ 9,120	$ 5,630,521	$ 3,220,702
Receivables:								
Accounts	5,302,131		544,895	356,807			6,203,833	6,668,940
Accrued interest	56,552			525			57,077	38,258
Less: allowance for doubtful accounts	500,000						500,000	747,580
	4,858,683		544,895	357,332			5,760,910	5,959,618
Due from third party payors								261,728
Due from other funds	253,281				21,919		275,200	560,174
Due from other governments				2,153,175			2,153,175	1,095,455
Inventory of supplies at cost	504,135						504,135	359,180
Prepaid expenses	111,920		3,352	5,928	919		122,119	92,452
Other assets	30,120,688						30,120,688	8,027,637
Restricted cash and cash equivalents	2,473,022			2,736,902			5,209,924	7,974,664
Fixed assets in service:								
Land and land improvements	270,777			55,483	126,631	21,980	474,871	356,871
Utility plant in service			1,931,484	8,458,370			10,389,854	9,944,571
Buildings, structures and improvements	18,082,361				7,105,735	24,406	25,212,502	24,727,707
Machinery and equipment	6,830,136		125,666	187,552			7,143,354	6,185,842
Less: accumulated depreciation	11,914,729		1,266,757	3,280,724	1,350,090	12,935	17,825,235	16,485,352
	13,268,545		790,393	5,420,681	5,882,276	33,451	25,395,346	24,729,639
Construction in progress	6,761,346			14,358,685			21,120,031	3,978,379
TOTAL ASSETS	$62,657,387	$ —0—	$1,738,169	$25,872,774	$5,981,148	$42,571	$96,292,049	$56,259,628

	Lakewood Hospital	Steven Kovacs Health Care Center	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Totals 1982	Totals 1981
LIABILITIES								
Accounts payable	$ 1,413,159		$ 19,722	$ 67,165	$ 35,545	$ 13	$ 1,535,604	$ 1,726,306
Due to third party payors	797,481						797,481	752,000
Current financing advance — Blue Cross	404,000						404,000	527,400
Due to other funds	59,869		354,052		70,120		484,041	743,908
Due to other governments			263,547		13,351	555	277,453	208,717
Accrued wages and benefits	1,239,287		66,218	98,211	16,655		1,420,371	2,032,841
Accrued interest	1,393,064		12,252	177,741	38,872		1,621,929	392,862
Other liabilities	1,048,686		220,069				1,268,755	471,297
Deferred revenue from third parties	1,554,442						1,554,442	1,584,315
Payable from restricted assets				1,902,135			1,902,135	902,150
Debt:								
Notes payable			250,000	4,800,000	700,000		5,750,000	5,785,000
General obligation bonds payable			101,000	1,430,000	2,945,000		4,476,000	4,823,000
Hospital improvement bonds payable	1,400,000						1,400,000	1,530,000
Hospital improvement revenue bonds payable	27,495,000						27,495,000	4,020,000
	28,895,000		351,000	6,230,000	3,645,000		39,121,000	16,158,000
TOTAL LIABILITIES	36,804,988		1,286,860	8,475,252	3,819,543	568	50,387,211	25,499,796
CONTRIBUTED CAPITAL AND RETAINED EARNINGS								
Contributed capital — City of Lakewood and others			471,863	14,663,284	1,822,825	33,451	16,991,423	8,074,226
Retained earnings (deficit):								
Reserved for restricted assets	2,214,696			834,767			3,049,463	6,711,157
Unreserved	23,637,703		(20,554)	1,899,471	338,780	8,552	25,863,952	15,974,449
	25,852,399		(20,554)	2,734,238	338,780	8,552	28,913,415	22,685,606
TOTAL EQUITY	25,852,399		451,309	17,397,522	2,161,605	42,003	45,904,838	30,759,832
TOTAL LIABILITIES AND EQUITY	$62,657,387	$ —0—	$1,738,169	$25,872,774	$5,981,148	$42,571	$96,292,049	$56,259,628

Note: The Steven Kovacs Health Care Center ceased operations as of January 1, 1982 at which date its net assets were transferred to the Lakewood Hospital Fund.

CITY OF LAKEWOOD, OHIO

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS (DEFICIT) – ALL ENTERPRISE FUNDS

Year Ended December 31, 1982

	Lakewood Hospital	Steven Kovacs Health Care Center	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Totals 1982	Totals 1981
OPERATING REVENUES								
Patient service revenue – net	$44,302,108						$44,302,108	$38,704,701
Other charges for services			$2,496,049	$1,732,469	$1,176,946		5,405,464	4,283,977
Other operating revenue	795,349		9,198	815,536	59,168	$7,520	1,686,771	1,398,235
TOTAL OPERATING REVENUES	45,097,457		2,505,247	2,548,005	1,236,114	7,520	51,394,343	44,386,913
OPERATING EXPENSES								
Personal services	22,581,626		376,984	670,572	108,864		23,738,046	20,433,232
Benefit payments	5,064,119		104,247	183,031	28,125		5,379,522	4,323,440
Purchased water			1,575,783				1,575,783	1,466,525
Heat, light and power	834,538		16,079	229,681	83,485	1,963	1,165,746	1,361,122
Contractual services	2,306,172		138,581	466,528	233,128		3,144,409	2,579,489
Supplies and materials	6,571,521		264,949	392,269	148,504	1,428	7,378,671	7,021,196
Depreciation	1,202,529		35,563	147,413	142,115	488	1,528,108	1,392,918
Other	3,704,076		19,711		21,756	565	3,746,108	3,982,588
TOTAL OPERATING EXPENSES	42,264,581		2,531,897	2,089,494	765,977	4,444	47,656,393	42,560,510
OPERATING INCOME (LOSS)	2,832,876		(26,650)	458,511	470,137	3,076	3,737,950	1,826,403
NONOPERATING REVENUES (EXPENSES)								
Operating grants								9,992
Interest revenue and contributions	2,289,256		11,523	384,274			2,685,053	2,174,206
Interest expense and fiscal charges			(15,346)	(74,704)	(261,099)		(351,149)	(633,140)
TOTAL NONOPERATING REVENUES (EXPENSES)	2,289,256		(3,823)	309,570	(261,099)		2,333,904	1,551,058
INCOME (LOSS) BEFORE OPERATING TRANSFERS	5,122,132		(30,473)	768,081	209,038	3,076	6,071,854	3,377,461
Operating transfers – in (out)	53,629	$ (53,629)						
NET INCOME (LOSS)	5,175,761	(53,629)	(30,473)	768,081	209,038	3,076	6,071,854	3,377,461
Depreciation on fixed assets acquired by contributed capital – City of Lakewood and others			23,721	87,121	44,625	488	155,955	138,344
INCREASE (DECREASE) IN RETAINED EARNINGS	5,175,761	(53,629)	(6,752)	855,202	253,663	3,564	6,227,809	3,515,805
Retained earnings (deficit) – January 1, restated – see note	20,676,638	53,629	(13,802)	1,879,036	85,117	4,988	22,685,606	19,169,801
Retained earnings (deficit) – December 31	$25,852,399	$ –0–	$ (20,554)	$2,734,238	$ 338,780	$8,552	$28,913,415	$22,685,606

Note: Reflects correction of an allocation of revenues between the Water Fund and the Sewer and Wastewater Fund for 1981. This restatement increased 1981 net loss and decreased retained earnings as previously reported of the Water Fund by $151,600, and increased 1981 net income and increased retained earnings as previously reported of the Sewer and Wastewater Fund by $151,600.

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION — ALL ENTERPRISE FUNDS

Year Ended December 31, 1982

	Lakewood Hospital	Steven Kovacs Health Care Center	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Totals 1982	Totals 1981
SOURCES OF WORKING CAPITAL								
Operations:								
Net income (loss)	$ 5,175,761	$ (53,629)	$ (30,473)	$ 768,081	$209,038	$3,076	$ 6,071,854	$ 3,377,461
Items not requiring (providing) working capital:								
Depreciation and amortization	1,202,529		35,563	147,413	142,115	488	1,528,108	1,397,886
Decrease in deferred revenue	(29,873)						(29,873)	(29,143)
WORKING CAPITAL PROVIDED (USED) BY OPERATIONS	6,348,417	(53,629)	5,090	915,494	351,153	3,564	7,570,089	4,746,204
Net decrease (increase) in restricted assets	1,691,979			1,072,761			2,764,740	(2,996,249)
Proceeds of notes			250,000				250,000	4,485,000
Proceeds of hospital improvement revenue bonds	23,710,000						23,710,000	
Increase in contributed capital			86,152	8,987,000			9,073,152	3,343,515
Net increase in liabilities payable from restricted assets				999,985			999,985	833,875
TOTAL SOURCES OF WORKING CAPITAL	31,750,396	(53,629)	341,242	11,975,240	351,153	3,564	44,367,966	10,412,345
USES OF WORKING CAPITAL								
Acquisition (disposal) of property, plant and equipment — net	8,182,344	(59,795)	258,502	10,954,416			19,335,467	5,779,447
Retirement of notes				85,000	200,000		285,000	400,000
Retirement of general obligation bonds			17,000	150,000	180,000		347,000	361,000
Retirement of hospital improvement bonds	130,000						130,000	130,000
Retirement of hospital improvement revenue bonds	235,000						235,000	235,000
Increase in other assets	22,093,051						22,093,051	2,040,238
TOTAL USES OF WORKING CAPITAL	30,640,395	(59,795)	275,502	11,189,416	380,000		42,425,518	8,945,685
NET INCREASE (DECREASE) IN WORKING CAPITAL	$ 1,110,001	$ 6,166	$ 65,740	$ 785,824	$ (28,847)	$3,564	$ 1,942,448	$ 1,466,660

CITY OF LAKEWOOD, OHIO

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION — ALL ENTERPRISE FUNDS — Continued

Year Ended December 31, 1982

	Lakewood Hospital	Steven Kovacs Health Care Center	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Totals 1982	Totals 1981
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL								
Cash and cash equivalents	$3,046,226	$ (25,355)	$ (26,402)	$(579,044)	$ (8,319)	$2,713	$2,409,819	$1,166,819
Receivables (net of allowance for doubtful accounts)	(366,151)	(38,813)	152,875	53,381			(198,708)	1,004,295
Due from other funds	(306,893)				21,919		(284,974)	101,318
Due from other governments				1,057,720			1,057,720	994,996
Inventory of supplies	144,955						144,955	4,345
Prepaid expenses	32,863	(3,576)	493	578	(691)		29,667	6,466
Accounts payable	100,459	23,893	24,300	50,684	(8,872)	238	190,702	(707,605)
Deferred grant revenue								216,659
Due to third party payors (net)	(307,209)						(307,209)	(202,272)
Current financing advance — Blue Cross	123,400						123,400	166,450
Due to other funds	301,488	26,335	1,082	1,082	(70,120)		259,867	(404,306)
Due to other governments			(82,970)	23,263	(8,474)	(555)	(68,736)	(33,630)
Accrued wages and benefits	558,726	22,289	9,889	12,984	8,582		612,470	(468,050)
Accrued interest	(1,393,064)		(11,221)	165,176	10,042		(1,229,067)	(301,184)
Other liabilities	(824,799)	1,393	(2,306)		27,086	1,168	(797,458)	(77,641)
NET INCREASE (DECREASE) IN WORKING CAPITAL	$1,110,001	$ 6,166	$ 65,740	$785,824	$(28,847)	$3,564	$1,942,448	$1,466,660

TABLE 11

CITY OF LAKEWOOD, OHIO

REVENUE BOND COVERAGE – HOSPITAL BONDS

Last Ten Fiscal Years [1]

Fiscal Year	Gross[2] Revenue	Total Operating Expenses	Net Revenue Available for Debt Service [3]	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1973	$12,748,509	$12,475,647	$ 272,862	$130,000	$133,000	$263,000	1.04
1974	14,336,440	13,327,111	1,009,329	365,000	576,544	941,544	1.07
1975	16,706,914	16,102,355	604,559	365,000	553,081	918,081	.66
1976	19,762,057	18,579,383	1,182,674	365,000	529,619	894,619	1.32
1977	21,831,373	20,526,079	1,305,294	365,000	506,156	871,156	1.50
1978	23,696,565	21,925,090	1,771,475	365,000	482,694	847,694	2.09
1979	26,636,982	24,867,725	1,769,257	365,000	459,231	824,231	2.15
1980	32,087,158	30,120,479	1,966,679	365,000	435,769	800,769	2.46
1981	40,627,826	37,458,836	3,168,990	365,000	414,456	779,456	4.07
1982	47,386,713	42,264,581	5,122,132	365,000	700,280	1,065,280	4.81

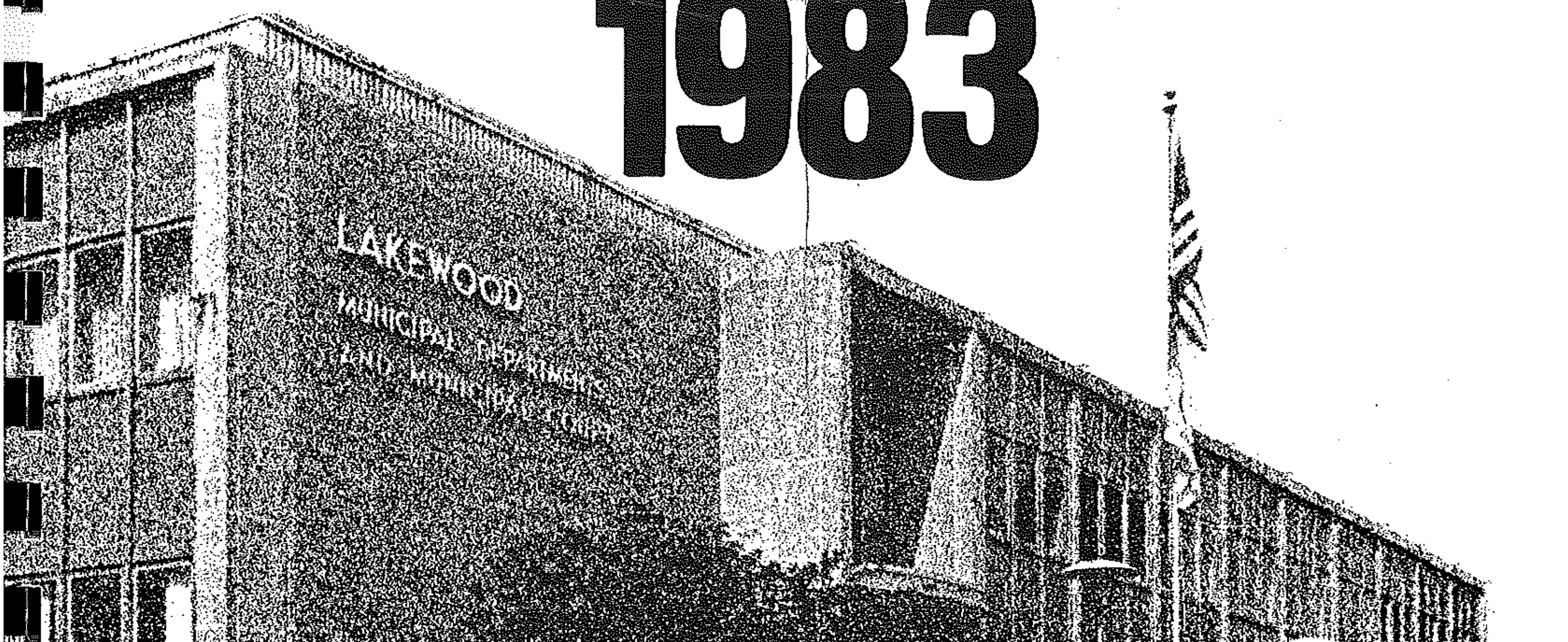
1 For the year ended December 31, 1981 the City presented for the first time general purpose financial statements by fund type and account group. Thus, they are not comparable to the cash basis financial statements presented in prior years.

2 Gross Revenue is Total Operating Revenues plus Interest Revenue and contributions.

3 Net Revenue available for debt service is equal to income before operating transfers.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1983



CITY OF LAKEWOOD OHIO

With respect to the **Financial Section,** statements presented are further divided into two parts which are distinguished according to the reporting level of data.

General Purpose Financial Statements (Combined Statements–Overview): The combined data presented in this section is required and the financial statements are in a form necessary to display a summary (all inclusive) overview of the financial position of all funds and account groups; and of the operating results of all funds by type. The combined formats of these statements include columns of aggregate data which have been summarized from the more detailed (combining and individual) statements which follow in the next section.

Combining and Individual Fund and Account Group – Statements of Schedules: Combining financial statements are required for this reporting level in each instance where the City has more than one fund of a given type.

Although this document is neither required by State Statute or the Charter of the City of Lakewood, the format was adopted voluntarily for two reasons. First, the City of Lakewood recognizes the increased interest in Public Official's accountability on the part of citizens, investors, credits, and others. Second, the Administration believes the Comprehensive Annual Financial Report presentation is the most meaningful for report users.

The responsibility for the accuracy of this document rests with the Finance Department of the City. We believe the information, as presented, is accurate in all material respects; that is is presented in a manner designed to fairly set forth the financial position and results of operation of the City as measured by the financial activity of its various funds: and that all disclosures necessary to enable the reader to gain understanding of the City's financial activity have been included.

GFOA CERTIFICATE OF CONFORMANCE

The Government Finance Officer's Association (GFOA) of the United States and Canada has awarded a Certificate of Conformance in Financial Reporting to the City of Lakewood, Ohio for fiscal years ending December 31, 1981 and December 31, 1982.

The Certificate of Conformance is valid for a period of one year and is awarded to governmental entities who publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR). Report contents must conform to program standards established by the GFOA and satisfy both Generally Accepted Accounting Principles and applicable legal requirements. We believe this year's Comprehensive Annual Financial Report conforms to the Certificate of Conformance Program requirements and intend to submit it to the GFOA for consideration.

The City, because of its interest in accountability to both citizens, investors and third party rereviewers has undertaken an annual independent audit, though not legally required to do so. The Administration and City Council have for the third consecutive year engaged the national independent accounting firm of Ernst & Whinney to examine the City's financial statements. The City of Lakewood has received an unqualified opinion from Ernst & Whinney and their 1983 report is contained herein.

THE REPORTING ENTITY

The City of Lakewood, Ohio is situated in the industrial Midwest, approximately 5.5 miles west of downtown Cleveland and is contiguous with the western boundary of Cleveland. The City covers an area of 5.66 square miles, was incorporated as a village in 1889, became a City in 1911 and has an estimated population of 61,963 based on the U.S. Bureau of Census, 1980. The City, noted for its attractive Gold Coast, which features a number of luxury apartment complexes located on the shore of Lake Erie near the Northeast corner of the City, is bounded on the north by Lake Erie and to the south and west by other cities. It is served by the Norfolk and Western Railroad and Conrail and also by Cleveland-Hopkins International Airport.

The City provides general governmental services for the territory contained with its boundaries, including: police and fire protection, disposal of garbage and rubbish, water and sewer services, street maintenance, street construction and reconstruction and cultural park and recreational facilities. The City also offers extensive services for senior citizens.

The City owns and operates eight parks with a total area of seventy acres and is continguous to the Rocky River Reservation of the Cleveland Metropolitan Park District, a separate political subdivision conterminous with Cuyahoga County. The City also owns Winterhurst, which the City believes is one of the largest ice skating facilities of its type in the United States. The Kenneth C. Beck Center for the Cultural Arts is the home of the Lakewood Little Theater, a semi-professional dramatic group which provides year-round productions. The Lakewood Historical Society preserves the heritage of the City and operates in "The Old Stone House" which was built in 1838 and is located in Lakewood Park. The City also sponsors the annual Lakewood Arts Festival and weekly summer band concerts.

The City is served by Lakewood Hospital, a 410 bed acute care hospital, located in the center of the City. Lakewood Hospital admits approximately 10,750 patients annually, and employs over 1,100 employees with an annual payroll of over $23 million. Lakewood Hospital is owned by the City and operated by a Board of Trustees consisting of the Mayor, who serves as the President of the Board, one member of City Council who serves as Chairman of the Council's Hospital Committee, the City's Commissioner of Health, and fifteen members who are appointed by the Mayor with approval of Council. This Hospital has served the City since 1907.

All funds and entities related to and controlled by the City of Lakewood are included in the CAFR. Criteria used to determine or evaluate the reporting entity was The National Council on Governmental Accounting (NCGA) Statement 3, "Defining the Governmental Reporting Entity," which includes the exercise of oversight responsibility, the scope of public service and special financing relationships.

GOVERNMENT ORGANIZATION

The City has adopted a Charter and operates under a Mayor-Council form of government pursuant to the Charter.

The legislative authority of the City is vested in a seven member Council serving four year terms of office with one member elected from each of the City's four wards and three members elected from the City at large. The President of Council is elected by Council from among its members. The President's principal duty is to preside at Council meetings.

The executive and administrative powers are vested in the Mayor, directors of departments and other administrative officers provided for in the Charter or by ordinances. The Mayor is the chief executive officer of the City and is elected from the City at large for a four year term of office. The Mayor appoints and removes employees of the City pursuant to the Charter's civil service provisions.

SIGNIFICANT EVENTS AND ACCOMPLISHMENTS – 1983

The City's dedication to excellence and continued economic progress and political stability is evidenced by the following developments during 1983:

- The City maintained a Aa rating by Moody's Investors Services.

- The Government Finance Officers Association of the United States and Canada awarded a Certificate of Conformance in Financial Reporting to the City for its comprehensive annual financial report for fiscal year 1982. This marks the second consecutive year the City has received this honor.

- Projects in progress during 1983 included:

  The City of Lakewood Wastewater Treatment Plant renovation; construction cost $19 million dollars.

  The City of Lakewood Hospital renovation and remodeling; construction cost $26.4 million dollars.

- The continued revitalization of the City's residential and commercial communities has been assisted by leveraging $4.3 million of Federal Grant funds through December 31, 1983 and creating private investment of over $14.7 million or a ratio of 3 to 1.

- Over nineteen million one hundred and fifty thousand dollars ($19,150,000) of building construction was initiated in 1983.

- Entered into a six year, multi-party time sharing agreement for data processing services. This arrangement is considered to be the first of its kind in the nation, with projected savings to total approximately $1 million dollars over the six year period.

NOTES TO FINANCIAL STATEMENTS

CITY OF LAKEWOOD, OHIO
December 31, 1983

NOTE A — DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL REPORTING ENTITY

The City's major operations include police and fire protection, waste collection, street maintenance, parks and recreation, municipal court, health and certain social services and general administration services. In addition the City owns and operates several enterprise activities, including a hospital, a water system, a local sewer system and parking facilities. The following entities are not included because they are autonomous entities:

City of Lakewood School Board — provides education services to the community.

Community Development Corporation of Lakewood — performs Community Development Grant Program activities.

Lakewood Hospital Foundation, Inc. — contributes to and supports Lakewood Hospital.

Lakewood Public Library — makes available books, periodicals and reference materials to the general public.

For financial reporting purposes, the City includes all funds, account groups, agencies, boards, commissions, and authorities that are controlled by or dependent on the City's executive or legislative branches (the mayor or the council, respectively). Control by or dependence on the City was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the City, obligation of the City to finance any deficits that may occur, or receipt of significant subsidies from the City.

BASIS OF PRESENTATION

The accounting policies of the City conform to generally accepted accounting principles as applicable to governments.

NOTE A – DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

RESTRICTED ASSETS

Restricted assets consist of Lakewood Hospital assets whose use has been restricted by donors or third-party payors and Sewer and Wastewater grant and debt proceeds whose use is restricted to construction projects. The amount of restricted assets less payables from restricted assets is reported as a reservation of enterprise fund retained earnings.

FIXED ASSETS

Fixed assets include land, utility plant in service, buildings, improvements and equipment owned by the City. Infrastructure including streets, bridges, and sidewalks is not included.

Fixed assets acquired or constructed for general governmental purposes are reported as expenditures in the fund that finances the asset acquisition and capitalized in the General Fixed Assets Account Group. Property and equipment acquired by propreitary funds are reported in those funds. All fixed assets are recorded at cost or at estimated fair market value at time of donation.

The City's Hospital enterprise fund is remodeling and expending existing Hospital facilities. The total estimated cost of the project is $26.4 million. Costs incurred to date of approximately $21.3 million are recorded as construction in progress.

The City's Sewer and Wastewater enterprise fund is making improvements to its sewage treatment and disposal plant. The total estimated cost of this project is approximately $19 million. Costs incurred to date is approximately $18.9 million. During 1983 $5.6 million of these costs were capitalized as a portion of these improvements were placed into service.

The City's policy is to capitalize interest on proprietary funds' construction projects until substantially completed and credit investment earnings to construction costs where appropriate. The amount of interest capitalized in 1983 was $2,465,054 and the amount of investment income credited to construction costs was $1,406,607.

DEPRECIATION

No depreciation is provided on general fixed assets. Depreciation is charged to operations of proprietary funds over the fixed assets' estimated useful lives using the straight-line method. The following lives are used:

Utility plant in service	50-80 years
Buildings and improvements	20-50 years
Motor vehicles and motorized equipment	6-15 years
Furniture, machinery, and equipment	10-15 years

NOTE A – DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

DEFERRED REVENUE

For Medicare and Blue Cross reimbursement purposes, Lakewood Hospital computes depreciation using accelerated methods. The increase in the reimbursements resulting therefrom has been recorded as deferred revenue.

ENCUMBRANCES

As part of formal budgetary control over governmental funds, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as expenditures on the non-GAAP budget basis in order to reserve that portion of the applicable appropriation. On the GAAP basis, encumbrances outstanding at year end, other than those accrued as expenditures, are reported as reservations of fund balance for subsequent-year expenditures for the governmental funds.

PATIENT SERVICE REVENUE – NET

Patient service revenue is recorded at Lakewood Hospital's established rates with contractual adjustments and charity allowances and a provision for uncollectible accounts deducted to arrive at net patient service revenue.

GRANTS AND OTHER INTERGOVERNMENTAL REVENUES

Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other federal reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditures/expenses are incurred.

INTERFUND TRANSACTIONS

During the course of normal operations the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. Operating subsidies are recorded as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is based on the intent of City management at the time of the transactions.

NOTE A – DESCRIPTION OF REPORTING ENTITY; BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The General Fund provides administrative services to enterprise funds. Amounts charged to a fund for these services are determined by City management based on a cost allocation plan and are treated as other revenue in the General Fund and as operating expenses in enterprise funds.

NOTE B – CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance January 1, 1983	Additions	Delections	Balance December 31, 1983
Land and land improvements	$ 581,644	$ 50,000	$ 11,500	$ 620,164
Buildings, structures and improvements	5,828,764	792,988	98,869	6,522,883
Machinery and equipment	4,083,922	620,903	167,466	4,537,359
Construction in progress	409,811		409,811	
	$10,904,161	$1,463,891	$687,646	$11,680,406

NOTE C – INTERFUND RECEIVABLES AND PAYABLES

The following balances at December 31, 1983 represent individual fund interfund receivables and payables:

Fund	Interfund Receivables	Interfund Payables
General fund	$ 841,896	$ 195,398
Special revenue funds:		
Streets and highways	67,036	7,456
Police and Fire pension		40,000
Community Development Block Grant		406,491
Debt service fund		23,342
Special assessment funds:		
Local street and sidewalk improvement	116,628	
Enterprise funds:		
Lakewood Hospital	167,919	59,869
Water		350,000
Parking facilities	21,919	132,842
	$1,215,398	$1,215,398

NOTE E – ACCUMULATED UNPAID EMPLOYEE BENEFITS

City employees generally earn vacation and sick leave ranging from two to five weeks and 14 to 30 days per year, respectively, based on length of service. Except for Hospital employees who must take all vacation and sick time in the year it is earned, vacation and sick leave accumulate on a monthly basis and are fully vested when earned. Accumulated vacation leave and accumulated sick pay cannot exceed 50 and 120 days respectively, at the end of any year. However, salaried employees may convert to cash, on a three-to-one basis, sick days accumulated in excess of 120 days. Twenty five percent of unused sick leave plus any accumulated vacation leave is paid at retirement or death. For governmental fund types, accumulated vacation leave approximated $837,471 and 25% of accumulated sick leave approximated $682,157 at December 31, 1983. These amounts are recorded as liabilities in the General Long-Term Obligations Account Group. For enterprise funds, accumulated vacation leave approximated $81,787 and 25% of accumulated sick leave approximated $82,637 at December 31, 1983. These amounts are recorded as liabilities in the respective enterprise funds.

NOTE F – DEBT AND OTHER LONG-TERM OBLIGATIONS

Debt: Debt of the City is as follows:

	Balance January 1, 1983	Additions (Reductions)	Balance December 31, 1983
Special Assessment Funds:			
5.58%, 1980 street resurfacing note	$ 82,353	$ (29,946)	$ 52,407
5.58%, 1981 street resurfacing note	102,585	(25,646)	76,939
6.18%, 1982 Crane-Sessions breakwall note	110,000	(110,000)	
9.25%, 1982 Midnight-Freeman breakwall note	50,000	(50,000)	
5.72%, 1982 Waterford breakwall note	165,000	(165,000)	
5.58%, 1982 street resurfacing note	101,168	(20,234)	80,934
5.58%, 1983 street resurfacing note		294,000	294,000
8.875%, 1982 breakwall improvement bonds due 1984 through 1993	215,000		215,000
8.75%, 1983 Waterford breakwall bonds due 1985 through 1994		93,000	93,000
8.25%, 1983 breakwall improvement bonds due 1985 through 1994		111,000	111,000
	826,106	97,174	923,280

NOTE F – DEBT AND OTHER LONG-TERM OBLIGATIONS – Continued

	Balance January 1, 1983	Additions (Reductions)	Balance December 31, 1983
General Long-Term Obligations Account Group:			
5.58%, 1980 street resurfacing note	137,647	(50,054)	87,593
8.73%, 1981 refuse truck acquisition note	1,000,000	(1,000,000)	
5.58%, 1981 street resurfacing note	177,415	(44,354)	133,061
9.25%, 1982 traffic signal note	110,000	(110,000)	
5.58%, 1982 street resurfacing note	298,832	(59,766)	239,066
9.93%, 1982 fire truck acquisition note	450,000	(450,000)	
9.93%, 1982 recreation note	325,000	(325,000)	
5.58%, 1983 street resurfacing note		456,000	456,000
3%, 1958 city hall construction bonds due through 1983	70,000	(70,000)	
3.25%, 1965 hospital improvement bonds due through 1985	270,000	(90,000)	180,000
5.625%, 1978 air pollution equipment bonds due through 1998	640,000	(40,000)	600,000
5.625%, 1972 parking improvement bonds due through 1993	27,000	(2,000)	25,000
11.75%, 1981 recreational facilities bonds due through 1997	2,840,000	(155,000)	2,685,000
7%, 1983 refuse truck acquisition bonds due through 1988		1,000,000	1,000,000
	6,345,894	(940,174)	5,405,720

NOTE F – DEBT AND OTHER LONG-TERM OBLIGATIONS – Continued

	Balance January 1, 1983	Additions (Reductions)	Balance December 31, 1983
Enterprise Funds:			
5.66%, 1974 parking garage improvement note	700,000	(100,000)	600,000
8.83%, 1980 sewer and wastewater improvement note	450,000	(450,000)	
5.66%, 1981 sewer facilities improvement note	4,350,000	(350,000)	4,000,000
5.37%, 1982 Cohasett water main note	250,000		250,000
5.37%, 1983 Olive sewer note		400,000	400,000
5.37%, 1983 Olive water main note		800,000	800,000
5.375%, 1971 hospital improvement bonds due through 1991	360,000	(40,000)	320,000
4.75%, 1971 hospital improvement bonds due through 1994	1,040,000	(90,000)	950,000
7.25% to 8%, 1970 hospital revenue bonds due through 1998	3,785,000	(3,785,000)	
9.25% to 14%, 1982 hospital improvement bonds due 1985 through 2014	23,710,000	(23,710,000)	
5.75% to 9.625%, 1983 hospital improvement bonds due 1985 through 2014		31,695,000	31,695,000
Variable rate (6%) hospital improvement bonds due 2010		3,850,000	3,850,000
3.25%, 1956 water main construction bonds due through 1987	50,000	(10,000)	40,000
3.75%, 1960 water main construction bonds due through 1990	51,000	(7,000)	44,000
4.75%, 1968 sewer plant improvement bonds due through 1991	1,170,000	(130,000)	1,040,000
5.625%, 1978 sewer construction bonds due through 1993	260,000	(20,000)	240,000
5.625%, 1978 parking garage construction bonds due through 1998	2,945,000	(180,000)	2,765,000
	39,121,000	7,873,000	46,994,000
Less unamortized bond discount		(89,892)	(89,892)
	39,121,000	7,783,108	46,904,108
TOTAL DEBT	$46,293,000	$ 6,940,108	$53,233,108

NOTE F — DEBT AND OTHER LONG-TERM OBLIGATIONS — Continued

Annual maturity and sinking fund requirements to pay principal and interest on the obligations outstanding at December 31, 1983 follow:

	Special Assessment Funds Debt		General Long-Term Obligations Account Group		Enterprise Funds Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
1984	$524,280	$ 66,041	$1,403,720	$ 468,485	$ 6,537,000	$ 4,456,124
1985	38,000	34,601	487,000	379,831	742,000	3,522,179
1986	38,000	31,301	398,000	342,331	766,000	3,481,479
1987	39.000	28,001	397,000	307,709	786,000	3,437,691
1988	39,000	24,614	398,000	273,125	801,000	3,391,092
1989-1993	222,000	69,823	1,002,000	983,449	3,867,000	16,197,063
1994-1998	23,000	1,947	1,000,000	456,750	3,820,000	14,781,208
1999-2003			320,000	37,600	4,445,000	12,900,618
2004-2008					7,105,000	10,109,021
2009-2013					15,135,000	4,910,304
2014					2,990,000	147,628
	$923,280	$256,328	$5,405,720	$3,249,280	$46,994,000	$77,334,407

Notes payable represent councilmanic approved general obligation bond anticipation notes in which the full faith, credit, and general revenues of the City are irrevocably pledged. Such notes are issued by the City with one year maturity. Ohio law permits the issuance and renewal of bond anticipation notes such that the notes may remain outstanding for ten years consecutively before such notes must be retired either from available funds of the City or from the proceeds of bonds issued to redeem the anticipation notes. The City has the legal ability to renew $140,000 until 1990, $4,210,000 until 1991, $570,000 until 1992 and $1,950,000 until 1993 of notes payable at December 31, 1983. The City intends to renew or convert to bonds a substantial amount of these notes in 1984.

Special Assessment Funds bonds and notes payable are to be paid from special assessments levied against property owners which are payable over periods ranging from five to ten years, with interest equal to the interest on the bonds and notes issued by the City for the improvements.

All bonds payable, except the 1983 hospital revenue bonds, are general obligation bonds in which the full faith, credit, and general revenues of the City are irrevocably pledged.

It is the intention of the City that all enterprise fund obligations be paid from their operations.

NOTE F – DEBT AND OTHER LONG-TERM OBLIGATIONS – Continued

The City has the ability to issue $18.7 million of additional debt without obtaining voter approval.

Initial financing for a hospital improvement project was accomplished through the issuance, by the City, of $23,710,000 in Hospital Improvement Revenue Bonds, 1982 Series (Series 1982 Bonds) in March, 1982. During Apirl, 1983, the City issued $31,695,000 Hospital Improvement Revenue Bonds Series 1983-A (Refunding Bonds) to advance refund the Series 1982 Bonds and 1970 Hopital Improvement Revenue Bonds. In conjunction with this advance refunding, the Hospital has placed the net proceeds from the issuance of the Refunding Bonds along with certain Funds held by Trustee related to the Series 1982 Bonds and the 1970 Hospital Improvement Revenue Bonds in an irrevocable trust for the purpose of retiring the existing obligation on the refunded debt. The Refunding Bonds mature in annual installments ranging from $250,000 in 1985 to $22,540,000 in 2014 with interest due each Feburary 1 and August 1 at rates varying from 5 3/4% to 9 5/8%. Early redemption provisions are available.

The advance refunding resulted in a loss on refinancing of $5,620,891. Such loss has been charged against the Hospital's income as an extraordinary item during the year ending December 31, 1983 and is reflected in the Combined Statement of Revenues, Expenses and Changes in Retained Earnings – Proprietary Fund Type net of the estimated amount recoverable from third-party payors of $4,412,400. Such reimbursement will be received approximately over the remaining life of the refunded debt and has accordingly been reflected as an other asset.

The trust indenture between the City and the Trustee provides that the City shall establish and maintain a Hospital Revenue Fund separate and distinct from all other funds. The trust indenture also provides that, after meeting all reasonable operating and maintenance costs from the Hospital Revenue Fund, the City shall make payments into certain Special Funds established by the trust indenture relating to the Refunding Bonds as follows:

Debt Service Fund: Monthly payments shall be sufficient to pay principal and interest due on the next ensuing payment dates.

Debt Service Reserve Fund: Payments, if necessary, to maintain the fund's balance at an amount equal to the maximum bond service charges to be paid in any subsequent calendar year.

Depreciation Reserve Fund: Commencing in November, 1984, monthly payments equaling one-twelfth of the amount by which depreciation expenses as defined by the trust indenture exceeds that year's principal requirements. Monies contained in the depreciation reserve fund previously established in conjunction with the refunded Series 1982 Bonds and 1970 Hospital Improvement Revenue Bonds were transferred to this fund at the time the Refunding Bonds were issued.

NOTE F — DEBT AND OTHER LONG-TERM OBLIGATIONS — Continued

The trust indenture also established a Construction Fund from which certain proceeds from the sales of the Refunding Bonds shall be used to finance the completion of the renovation and remodeling of the Hospital's facilities.

The balances of the Funds held by Trustee related to the Refunding Bonds at December 31, 1983 are as follows:

Debt Service Fund	$ 1,272,986
Debt Service Reserve Fund	3,324,827
Depreciation Reserve Fund	1,808,339
Construction Fund	6,991,629
	$13,397,781

The estimated required payments into these funds from 1984 to 1988 are as follows:

1984	$ 3,040,000
1985	3,290,000
1986	3,290,000
1987	3,290,000
1988	3,290,000

During 1983, the Hospital completed a transaction for the purchase of a medical office building. Financing for this purchase was accomplished through the issuance by the City of $3,850,000 in Subordinated Hospital Improvement Revenue Bonds, Series 1983. The Bonds are dated to mature in 2010 with early redemption provisions available and bear interest at a floating rate established semi-annually based upon prevailing interest rates at the time. The Bonds are secured by a letter of credit issued by National City Bank which extends until December 1, 1988. According to the trust indenture between the City and the Trustee, if the letter of credit is not extended or an alternate letter of credit provided, the entire outstanding principal amount of the Bonds will be subject to mandatory redemption on November 1, 1988. The trust indenture between the City of Lakewood and the Trustee provides for the maintenance of a debt service fund from which all bond service charges are to be paid. The balance in this fund was $40,194 at December 31, 1983.

NOTE G – CONTRIBUTED CAPITAL AND UNRESERVED RETAINED EARNINGS – ENTERPRISE FUNDS – Continued

Amounts reported as unrestricted fund balance in the separate audited financial statements of Lakewood Hospital are reported as unreserved retained earnings in the accompanying financial statements. At December 31, 1983 Lakewood Hospital's unreserved retained earnings consisted of:

Board designated funds	$ 496,832
Property, plant and equipment less long-term debt, related liabilities and bond financing costs	15,121,784
Undesignated	10,657,677
	$26,276,293

NOTE H – FUND BALANCE DEFICITS

At December 31, 1983, the Breakwall Improvement Fund had a fund balance deficit of $453,235, the Local Street and Sidewalk Improvement Fund had a fund balance deficit of $116,436, the Police and Fire Pensions Fund had a fund balance deficit of $339,319 and the Water Fund had a retained earnings deficit of $169,328 after recording accumulated depreciation of $1,276,229.

The Breakwall Improvement Fund is a special assessment fund established to construct a series of breakwalls to help prevent soil erosion. The fund balance deficit results from capital outlay expenditures occuring early in the special assessment period. The deficit will be financed by the future collections of assessments which will be recognized as revenues in the year they are due.

The Local Street and Sidewalk Improvement Fund is a special assessment fund established to resurface City streets and sidewalks. The City shares in the cost of such projects by contributing its portion of the project costs to the fund at the commencement of each project. The fund balance deficit results from capital outlay expenditures occuring early in the special assessment period in excess of the City's shared cost. The deficit will be financed by the future collection of assessments which will be recognized as revenues in the year they are due.

CITY OF LAKEWOOD, OHIO

NOTE L — SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains five enterprise funds which provide hospital, water, sewer, parking and housing services. Information for the year ended December 31, 1983 for the five major enterprise funds is summarized as follows:

	Lakewood Hospital	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Total Enterprise Funds
Operating revenues	$46,111,755	$2,556,243	$ 2,608,022	$1,301,279	$ 8,065	$52,585,364
Depreciation and amortization expense	1,313,924	42,724	207,704	143,038	488	1,707,878
Operating income (loss)	2,002,903	(117,368)	464,928	421,075	3,476	2,775,014
Tax revenues			890,743			890,743
Extraordinary loss	(1,208,491)					(1,208,491)
Net income (loss)	3,398,732	(171,460)	656,179	202,338	3,476	4,089,265
Current capital contributions		160,000	2,601,302			2,761,302
Net additions to property, plant and equipment	20,861,044	541,012	4,663,966	5,539		26,071,561
Net working capital (deficit)	5,396,159	285,168	696,527	(15,834)	12,516	6,374,536
Total identifiable assets	73,019,470	2,504,266	28,191,946	6,034,658	46,152	109,796,492
Bonds and other long-term liabilities payable from operating revenues	36,725,108	84,000	1,280,000	2,765,000		40,854,108
Total equity	29,251,131	439,849	20,655,003	2,363,943	45,479	52,755,405

NOTE M — OTHER ASSETS

Other assets consist of the following non-current accounts of Lakewood Hospital as of December 31, 1983:

Assets held by Trustee — cash and short-term investments	$13,437,975
Deferred receivable advance refunding	4,412,400
Board designated assets — funded depreciation — short term cash investments, including accrued interest	496,832
Unamortized bond financing costs	1,148,927
	$19,496,134

NOTE N – SUBSEQUENT EVENTS

Subsequent to December 31, 1983, the City completed two separate transactions for the purchases of a medical office building and a parking garage for the Hospital. The purchase price for the medical office building amounted to $1,065,000 and was paid from funds generated by Hospital operations. The parking garage facility was purchased from the City's General Fixed Asset Account Group for an amount of $3,350,000. According to the terms of the purchase agreement for the parking garage facility, $1,350,000 of the purchase price was paid to the General Fund upon the transfer of the operation and control of the parking garage to the Hospital. The remaining portion of the purchase price will be paid to the General Fund in annual installments at an amount equal to one-half of the net revenues earned from operation of the facility, commencing at the time that the garage has become fully depreciated.

In May 1984, the City authorized $400,000 and $300,000 of one year councilmanic approved general obligation notes with interest at 6.93% for street improvements and reconstruction.

CITY OF LAKEWOOD, OHIO

ENTERPRISE FUNDS

COMBINING FINANCIAL STATEMENTS

Enterprise funds are set up to account for the acquisition and operation of governmental facilities and services that are entirely or predominately self-supporting from user charges. The City of Lakewood operates the following enterprise activities:

LAKEWOOD HOSPITAL FUND	To account for the health care services provided by the City owned and operated hospital.
WATER FUND	To account for the provision of water distribution to the residents and commercial users of the City.
SEWER AND WASTEWATER FUND	To account for sanitary sewer services provided to the residential and commercial users of the City.
PARKING FACILITIES FUND	To account for off-street parking services provided by the City.
CONGREGATIONAL LIVING FACILITY	To account for residential accommodations for senior citizens provided by the City.

All activities necessary to provide the above services are accounted for in each particular fund including, but not limited to, administration, operations, maintenance, financing, related debt service, invoicing, and collection.

COMBINING BALANCE SHEETS – ALL ENTERPRISE FUNDS

CITY OF LAKEWOOD, OHIO

December 31, 1983

	Lakewood Hospital	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Totals 1983	Totals 1982
ASSETS							
Cash and cash equivalents	$ 4,867,588	$ 690,265	$ 755,096	$ 267,962	$13,189	$ 6,594,100	$ 5,888,847
Receivables:							
Accounts	5,661,000	525,320	342,796			6,529,116	6,203,833
Other	43,009					43,009	57,077
Less: allowance for doubtful accounts	615,157					615,157	500,000
	5,088,852	525,320	342,796			5,956,968	5,760,910
Due from third-party payors	243,054					243,054	
Due from other funds	167,919			21,919		189,838	275,200
Due from other governments			160,838			160,838	2,153,175
Inventory of supplies at cost	472,749					472,749	504,135
Prepaid expenses	131,325					131,325	122,119
Other assets	19,496,134					19,496,134	30,120,688
Restricted cash and cash equivalents	2,974,838		2,697,588			5,672,426	4,951,598
Fixed assets in service:							
Land and land improvements	372,097		55,483	126,631	21,980	576,191	474,871
Utility plant in service		2,439,634	14,058,370			16,498,004	10,389,854
Buildings, structures and improvements	23,765,691			7,105,735	24,406	30,895,832	25,212,502
Machinery and equipment	7,315,040	125,276	312,756	5,539		7,758,611	7,143,354
Less: accumulated depreciation	13,191,085	1,276,229	3,488,428	1,493,128	13,423	19,462,293	17,825,235
	18,261,743	1,288,681	10,938,181	5,744,777	32,963	36,266,345	25,395,346
Construction in progress	21,315,268		13,297,447			34,612,715	21,120,031
TOTAL ASSETS	$73,019,470	$2,504,266	$28,191,946	$6,034,658	$46,152	$109,796,492	$96,292,049

	Lakewood Hospital	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Totals 1983	Totals 1982
LIABILITIES							
Accounts payable	$ 886,502	$ 84,270	$ 289,330	$ 55,279	$ 42	$ 1,315,423	$ 1,535,604
Due to third party payors							797,481
Current financing advance — Blue Cross	394,100					394,100	404,000
Due to other funds	59,869	350,000		132,842		542,711	484,041
Due to other governments		155,662		74,395	631	230,688	277,453
Accrued wages and benefits	1,354,401	82,511	162,508	16,381		1,615,801	1,420,371
Accrued interest	1,307,542	35,419	110,365	26,818		1,480,144	1,621,929
Other liabilities	1,572,914	222,555				1,795,469	1,268,755
Deferred revenue from third parties	1,467,903					1,467,903	1,554,442
Payable from restricted assets			1,294,740			1,294,740	1,902,135
Debt:							
Notes payable		1,050,000	4,400,000	600,000		6,050,000	5,750,000
General obligation bonds payable		84,000	1,280,000	2,765,000		4,129,000	4,476,000
Hospital improvement bonds payable	1,270,000					1,270,000	1,400,000
Hospital improvement revenue bonds payable	35,455,108					35,455,108	27,495,000
	36,725,108	1,134,000	5,680,000	3,365,000		46,904,108	39,121,000
TOTAL LIABILITIES	43,768,339	2,064,417	7,536,943	3,670,715	673	57,041,087	50,387,211
CONTRIBUTED CAPITAL AND RETAINED EARNINGS							
Contributed capital — City of Lakewood and others		609,177	17,130,202	1,777,911	32,963	19,550,253	16,991,423
Retained earnings (deficit):							
Reserved for restricted assets	2,974,838		1,402,848			4,377,686	3,049,463
Unreserved	26,276,293	(169,328)	2,121,953	586,032	12,516	28,827,466	25,863,952
	29,251,131	(169,328)	3,524,801	586,032	12,516	33,205,152	28,913,415
TOTAL EQUITY	29,251,131	439,849	20,655,003	2,363,943	45,479	52,755,405	45,904,838
TOTAL LIABILITIES AND EQUITY	$73,019,470	$2,504,266	$28,191,946	$6,034,658	$46,152	$109,796,492	$96,292,049

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS (DEFICIT) — ALL ENTERPRISE FUNDS

CITY OF LAKEWOOD, OHIO

Year Ended December 31, 1983

	Lakewood Hospital	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Totals 1983	Totals 1982
OPERATING REVENUES							
Patient service revenue — net	$45,673,886					$45,673,886	$44,302,108
Other charges for services		$2,549,211	$1,640,480	$1,296,269		5,485,960	5,405,464
Other operating revenue	437,869	7,032	967,542	5,010	$ 8,065	1,425,518	1,686,771
TOTAL OPERATING REVENUES	46,111,755	2,556,243	2,608,022	1,301,279	$ 8,065	52,585,364	51,394,343
OPERATING EXPENSES							
Personal services	23,092,116	424,899	709,125	86,078		24,312,218	23,738,046
Benefit payments	5,484,847	131,502	261,517	27,883		5,905,749	5,379,522
Purchased water		1,822,202				1,822,202	1,575,783
Heat, light and power	1,082,799	13,042	212,129	123,875	2,124	1,433,969	1,165,746
Contractual services	2,467,870	3,844	253,169	247,725		2,972,608	3,144,409
Supplies and materials	6,804,635	85,759	275,621	153,689	805	7,320,509	7,378,671
Depreciation	1,313,924	42,724	207,704	143,038	488	1,707,878	1,528,108
Other	3,862,661	149,639	223,829	97,916	1,172	4,335,217	3,746,108
TOTAL OPERATING EXPENSES	44,108,852	2,673,611	2,143,094	880,204	4,589	49,810,350	47,656,393
OPERATING INCOME (LOSS)	2,002,903	(117,368)	464,928	421,075	3,476	2,775,014	3,737,950
NONOPERATING REVENUES (EXPENSES)							
Interest revenue and contributions	2,604,320	2,020	332,036			2,938,376	2,685,053
Interest expense and fiscal charges		(56,112)	(140,785)	(218,737)		(415,634)	(351,149)
TOTAL NONOPERATING REVENUES (EXPENSES)	2,604,320	(54,092)	191,251	(218,737)		2,522,742	2,333,904
INCOME (LOSS) BEFORE EXTRAORDINARY LOSS	4,607,223	(171,460)	656,179	202,338	3,476	5,297,756	6,071,854
Extraordinary loss	(1,208,491)					(1,208,491)	—0—
NET INCOME (LOSS)	3,398,732	(171,460)	656,179	202,338	3,476	4,089,265	6,071,854
Depreciation on fixed assets acquired by contributed capital — City of Lakewood and others		22,686	134,384	44,914	488	202,472	155,955
INCREASE (DECREASE) IN RETAINED EARNINGS	3,398,732	(148,774)	790,563	247,252	3,964	4,291,737	6,227,809
Retained earnings (deficit) — January 1	25,852,399	(20,554)	2,734,238	338,780	8,552	28,913,415	22,685,606
Retained earnings (deficit) — December 31	$29,251,131	$ (169,328)	$3,524,801	$ 586,032	$12,516	$33,205,152	$28,913,415

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
ALL ENTERPRISE FUNDS

CITY OF LAKEWOOD, OHIO
Year Ended December 31, 1983

	Lakewood Hospital	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Totals 1983	Totals 1982
SOURCES OF WORKING CAPITAL							
Operations:							
Income (loss) before extraordinary loss	$ 4,607,223	$ (171,460)	$ 656,179	$ 202,338	$ 3,476	$ 5,297,756	$ 6,071,854
Items not requiring (providing) working capital:							
Depreciation and amortization	1,313,924	42,724	207,704	143,038	488	1,707,878	1,528,108
Decrease in deferred revenue	(86,539)					(86,539)	(29,873)
WORKING CAPITAL PROVIDED (USED) BY OPERATIONS BEFORE EXTRAORDINARY LOSS	5,834,608	(128,736)	863,883	345,376	3,964	6,919,095	7,570,089
Extraordinary Loss	(1,208,491)					(1,208,491)	
WORKING CAPITAL PROVIDED (USED) BY OPERATIONS AND EXTRAORDINARY LOSS	4,626,117	(128,736)	863,883	345,376	3,964	5,710,604	7,570,089
Proceeds of notes		800,000				800,000	250,000
Proceeds of hospital improvement revenue bonds	35,455,108					35,455,108	23,710,000
Increase in contributed capital		160,000	2,601,302			2,761,302	9,073,152
Net decrease in other assets	10,624,554					10,624,554	
Net increase in liabilities payable from restricted assets							999,985
Net decrease in restricted assets							3,023,066
TOTAL SOURCES OF WORKING CAPITAL	50,705,779	831,264	3,465,185	345,376	3,964	55,351,568	44,626,292
USES OF WORKING CAPITAL							
Acquisition of property, plant and equipment — net	20,861,044	541,012	4,663,966	5,539		26,071,561	19,335,467
Advance refunding — hospital improvement revenue bonds	27,436,250					27,436,250	
Retirement of notes			400,000	100,000		500,000	285,000
Retirement of general obligation bonds		17,000	150,000	180,000		347,000	347,000
Retirement of hospital improvement bonds	130,000					130,000	130,000
Retirement of hospital improvement revenue bonds	58,750					58,750	235,000
Net increase (decrease) in restricted assets	760,142		(39,314)			720,828	
Net decrease in liabilities payable from restricted assets			607,395			607,395	
Net increase in other assets							22,093,051
TOTAL USES OF WORKING CAPITAL	49,246,186	558,012	5,782,047	285,539		55,871,784	42,425,518
NET INCREASE (DECREASE) IN WORKING CAPITAL	$ 1,459,593	$ 273,252	$(2,316,862)	$ 59,837	$ 3,964	$ (520,216)	$ 2,200,774

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
ALL ENTERPRISE FUNDS — Continued

CITY OF LAKEWOOD, OHIO

	Lakewood Hospital	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Totals 1983	Totals 1982
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL							
Cash and cash equivalents	$ 303,495	$290,736	$ (84,975)	$191,928	$ 4,069	$ 705,253	$2,668,145
Receivables (net of allowance for doubtful accounts)	230,169	(19,575)	(14,536)			196,058	(198,708)
Due from other funds	(85,362)					(85,362)	(284,974)
Due from other governments			(1,992,337)			(1,992,337)	1,057,720
Inventory of supplies	(31,386)					(31,386)	144,955
Prepaid expenses	19,405	(3,352)	(5,928)	(919)		9,206	29,667
Accounts payable	526,657	(64,548)	(222,165)	(19,734)	(29)	220,181	190,702
Due to/from third party payors — net	1,040,535					1,040,535	(307,209)
Current financing advance — Blue Cross	9,900					9,900	123,400
Due to other funds		4,052		(62,722)	(76)	(58,746)	259,867
Due to other governments		107,885		(61,044)		46,841	(68,736)
Accrued wages and benefits	(115,114)	(16,293)	(64,297)	274		(195,430)	612,470
Accrued interest	85,522	(23,167)	67,376	12,054		141,785	(1,229,067)
Other liabilities	(524,228)	(2,486)				(526,714)	(797,458)
NET INCREASE (DECREASE) IN WORKING CAPITAL	$1,459,593	$273,252	$(2,316,862)	$ 59,837	$ 3,964	$ (520,216)	$2,200,774

CITY OF LAKEWOOD, OHIO

REVENUE BOND COVERAGE — HOSPITAL BONDS

Last Ten Fiscal Years [1]

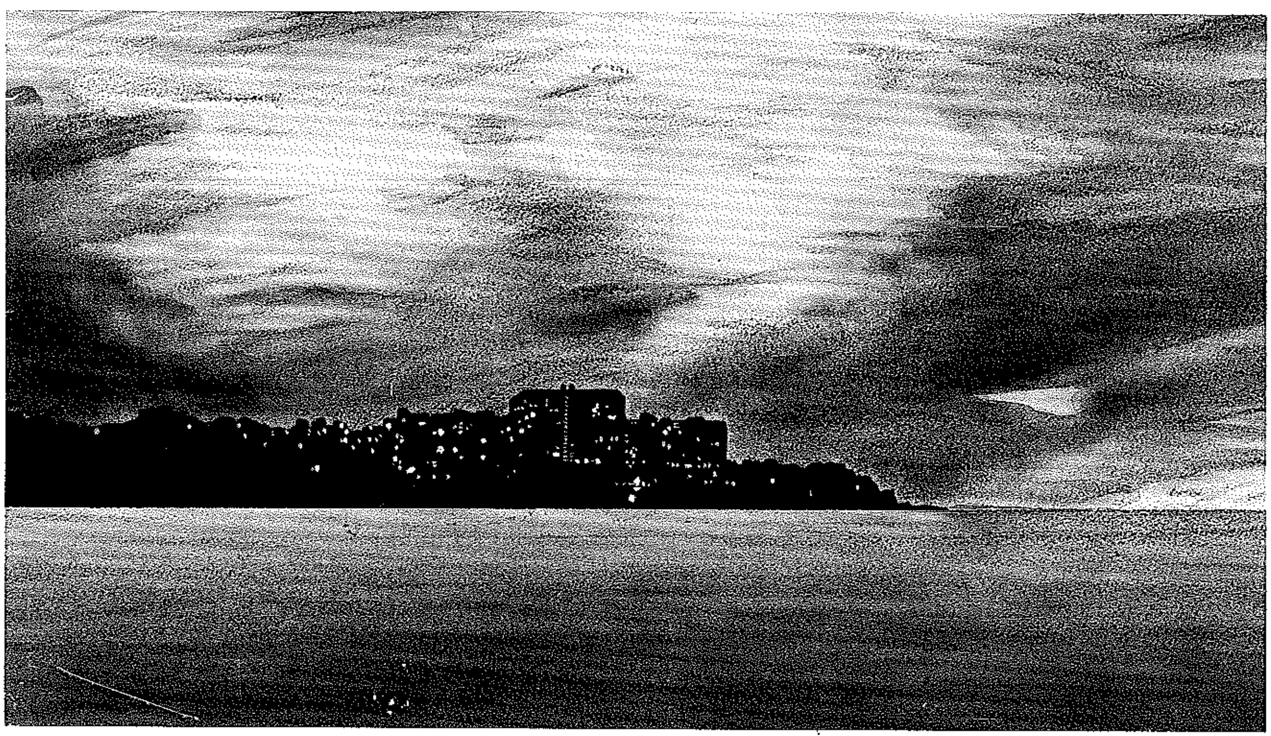
Fiscal Year	Gross[2] Revenue	Total Operating Expenses	Net Revenue Available for Debt Service [3]	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1974	$ 14,336,440	$ 13,327,111	$ 1,009,329	$ 365,000	$ 576,544	$ 941,544	1.07
1975	16,706,914	16,102,355	604,559	365,000	553,081	918,081	.66
1976	19,762,057	18,579,383	1,182,674	365,000	529,619	894,619	1.32
1977	21,831,373	20,526,079	1,305,294	365,000	506,156	871,156	1.50
1978	23,696,565	21,925,090	1,771,475	365,000	482,694	847,694	2.09
1979	26,636,982	24,867,725	1,769,257	365,000	459,231	824,231	2.15
1980	32,087,158	30,120,479	1,966,679	365,000	435,769	800,769	2.46
1981	40,627,826	37,458,836	3,168,990	365,000	414,456	779,456	4.07
1982	47,386,713	42,264,581	5,122,132	365,000	700,280	1,065,280	4.81
1983	48,716,075	44,108,852	4,607,223	118,750	969,420	1,158,170	3.98

[1] For the year ended December 31, 1981 the City presented for the first time general purpose financial statements by fund type and account group. Thus, they are not comparable to the cash basis financial statements presented in prior years.

[2] Gross Revenue is Total Operating Revenues plus Interest Revenue and contributions.

[3] Net Revenue available for debt service is equal to income before operating transfers.

Comprehensive Annual Financial Report
Year Ending December 31, 1984



City of Lakewood, Ohio

The City is served by Lakewood Hospital, a 410 bed acute care hospital, located in the center of the City. Lakewood Hospital admits approximately 9,500 patients annually, and employs over 1,000 employees with an annual payroll in excess of $20 million. Lakewood Hospital is owned by the City and operated by a Board of Trustees consisting of the Mayor, who serves as the President of the Board, one member of City Council who serves as Chairman of the Council's Hospital Committee, the City's Commissioner of Health, and fifteen members who are appointed by the Mayor with approval of Council. This Hospital has served the City since 1907.

All funds and entities related to and controlled by the City of Lakewood are included in the CAFR. Criteria used to determine or evaluate the reporting entity was The National Council on Governmental Accounting (NCGA) Statement 3, "Defining the Governmental Reporting Entity," which includes the exercise of oversight responsibility, the scope of public service and special financing relationships.

GOVERNMENT ORGANIZATION

The City has adopted a Charter and operates under a Mayor-Council form of government pursuant to the Charter.

The legislative authority of the City is vested in a seven member Council serving four year terms of office with one member elected from each of the City's four wards and three members elected from the City at large. The President of Council is elected by Council from among its members. The President's principal duty is to preside at Council meetings.

The executive and administrative powers are vested in the Mayor, directors of departments and other administrative officers provided for in the Charter or by ordinances. The Mayor is the chief executive officer of the City and is elected from the City at large for a four year term of office. The Mayor appoints and removes employees of the City pursuant to the Charter's civil service provisions.

FUND DESCRIPTIONS

The City has classified the various fund types into the following fund categories:

FUND TYPES	FUND
Governmental	General
	Special Revenue
	Debt Service
	Capital Projects
	Special Assessment
Proprietary	Enterprise
Fiduciary	Agency

Each of the above fund types is illustrated below:

Governmental Fund Types are those through which most of the City's functions are financed. The acquisition, use, and balances of the City's expendable financial resources and related current liabilities are accounted for through governmental funds. Governmental funds are, in essence, accounting segregation of financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are to be paid; and the difference between governmental fund assets and liabilities is referred to as fund balance (fund equity).

SIGNIFICANT EVENTS AND ACCOMPLISHMENTS — 1984

The City's dedication to excellence and continued economic progress and political stability is evidenced by the following developments during 1984.

- The City maintained an Aa rating by Moody's Investors Services.
- The Government Finance Officers Association of the United States and Canada awarded a Certificate of Conformance in Financial Reporting to the City for its Comprehensive Annual Financial Report for fiscal year 1983. This marks the third consecutive year the City has received this honor.
- Projects in progress during 1984 included:

  The City of Lakewood Wastewater Treatment Plant renovation; construction cost $19 million dollars.

  The City of Lakewood Hospital renovation and remodeling; construction cost $26.4 million dollars.

  The Lakewood Park Breakwall was constructed along the banks of Lake Erie to preserve and protect the rapidly deteriorating shoreline. This project was funded in full from the proceeds of a Ohio Department of Natural Resources Grant totaling $1.825 million dollars.
- Over eight million two hundred and ten thousand dollars ($8,210,000) of building construction was initiated in 1984.
- The City of Lakewood implemented a fixed asset accounting subsystem and developed policies and procedures for maintaining and updating the system.
- The City of Lakewood was recognized as Tree City U.S.A. by the National Arbor Day Foundation, a Nebraska-based organization dedicated to encouraging tree care and tree planting programs across the country. This is the eighth consecutive year the City of Lakewood has received the award.

THE CITY'S RESULTS OF OPERATIONS

COMPARISON IN FINANCIAL POSITION
(AMOUNTS IN MILLIONS OF DOLLARS)

	12-31-83	12-31-84	Percentage Increase (Decrease)
TOTAL ASSETS	$135.4	$139.3	2.88%
FIXED ASSETS, at book value	47.9	90.4	88.73
CASH AND INVESTMENTS	9.0	7.7	(14.44)
ACCOUNTS PAYABLE	1.7	1.8	5.88
TOTAL LIABILITIES, including long-term debt	68.7	67.1	2.33
TOTAL RETAINED EARNINGS in proprietary-type funds	33.2	35.7	7.53
TOTAL UNDESIGNATED FUND BALANCES	1.7	1.9	11.76
TOTAL EQUITY	66.6	72.2	8.41

NOTES TO FINANCIAL STATEMENTS

CITY OF LAKEWOOD, OHIO

December 31, 1984

NOTE A — DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL REPORTING ENTITY

For financial reporting purposes, the City of Lakewood, Ohio (the "City") includes all funds, account groups, agencies, boards, commissions, and authorities that are controlled by the City's executive or legislative branches (the mayor or the council, respectively). Control by the City was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the City, obligation of the City to finance any deficits that may occur, or receipt of significant subsidies from the City.

On this basis, the reporting entity of the City includes police and fire protection, waste collection, street maintenance, parks and recreation, municipal court, health and certain social services and general administration services. In addition the City owns and operates several enterprise activities, including a hospital, a water system, a local sewer system and parking facilities.

The following entities which are associated with the City and perform activities within the City's boundaries for the benefit of the City and/or its residents are excluded from the accompanying financial statements because the City does not exercise significant control over their operations.

City of Lakewood School Board — provides education services to the community.

Community Development Corporation of Lakewood — performs Community Development Grant Program activities.

Lakewood Hospital Foundation, Inc. — contributes to and supports Lakewood Hospital.

Lakewood Public Library — makes available books, periodicals and reference materials to the general public.

BASIS OF PRESENTATION

The accounting policies of the City conform to generally accepted accounting principles as applicable to governments.

NOTE A — DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Continued

RESTRICTED ASSETS

Restricted assets consist of Lakewood Hospital assets whose use has been restricted by donors or grantors and Sewer and Wastewater grant and debt proceeds whose use is restricted to construction projects. The amount of restricted assets less payables from restricted assets is reported as a reservation of enterprise fund retained earnings.

FIXED ASSETS

Fixed assets include land and land improvements, utility plant in service, buildings, structures and improvements, and machinery and equipment owned by the City. Infrastructure including streets, bridges, and sidewalks is not included.

Fixed assets acquired or constructed for general governmental purposes are reported as expenditures in the fund that finances the asset acquisition and capitalized in the General Fixed Assets Account Group. Property and equipment acquired by proprietary funds are reported in those funds. All fixed assets are recorded at cost or at estimated fair market value at time of donation.

The City's Hospital enterprise fund has remodeled and expanded existing Hospital facilities. Total cost of the project, which was substantially completed in 1984, was $29.1 million.

The City's Sewer and Wastewater enterprise fund made improvements to its sewage treatment and disposal plant. The total cost of this project, which was substantially completed in 1984, was $19.1 million.

The City's policy is to capitalize interest on proprietary funds' construction projects until substantially ompleted and credit investment earnings to construction costs where appropriate. Interest cost, net of applicable interest income, of $1,280,829 was capitalized in 1984.

DEPRECIATION

No depreciation is provided on general fixed assets. Depreciation, including amounts for capitalized leases, is charged to operations of proprietary funds over the fixed assets' estimated useful lives using the straight-line method. The following lives are used:

Utility plant in service	45-80 years
Buildings and improvements	20-50 years
Motor vehicles and motorized equipment	6-15 years
Furniture, machinery, and equipment	10-15 years

NOTE A — DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Continued

DEFERRED REVENUE

For Medicare reimbursement purposes, Lakewood Hospital computes depreciation using accelerated methods. The increase in the reimbursements resulting therefrom has been recorded as deferred revenue.

ENCUMBRANCES

As part of formal budgetary control over governmental funds, purchase orders, contracts, and other commitments for expenditures are encumbered and reported as expenditures on the non-GAAP budget basis in order to reserve that portion of the applicable appropriation. On the GAAP basis, encumbrances outstanding at year end, other than those accrued as expenditures, are reported as reservations of fund balance since they do not represent expenditures or liabilities of the governmental funds.

PATIENT SERVICE REVENUE — NET

Patient service revenue is recorded at Lakewood Hospital's established rates with contractual adjustments and charity allowances and a provision for uncollectible accounts deducted to arrive at net patient service revenue.

GRANTS AND OTHER INTERGOVERNMENTAL REVENUES

Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. Federal reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditures/expenses are incurred.

PROCEEDS OF GENERAL OBLIGATION BONDS AND NOTES

The proceeds of those general obligation bonds and notes which are accounted for in the general long term obligations account group are reported as other financing sources in the fund receiving the proceeds.

INTERFUND TRANSACTIONS

During the course of normal operations the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. Operating subsidies are recorded as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is based on the intent of the City at the time of the transactions.

NOTE E — ACCUMULATED UNPAID EMPLOYEE BENEFITS

City employees generally earn vacation and sick leave ranging from two to five weeks and 14 to 30 days per year, respectively, based on length of service. Except for Hospital employees who must take all vacation and sick time in the year it is earned, vacation and sick leave accumulate on a monthly basis and are fully vested when earned. Accumulated vacation leave and accumulated sick pay cannot exceed 50 and 120 days respectively, at the end of any year. However, salaried employees may convert to cash, on a three-to-one basis, sick days accumulated in excess of 120 days. Twenty-five percent of unused sick leave plus any accumulated vacation leave is paid at retirement or death. For governmental fund types, accumulated vacation leave approximated $912,194 and 25% of accumulated sick leave approximated $637,934 at December 31, 1984. These amounts are recorded as liabilities in the General Long-Term Obligations Account Group. For enterprise funds, accumulated vacation leave approximated $115,028 and 25% of accumulated sick leave approximated $90,643 at December 31, 1984. These amounts are recorded as liabilities in the respective enterprise funds.

NOTE F — DEBT AND OTHER LONG-TERM OBLIGATIONS

Debt: Debt of the City is as follows:

	Balance January 1, 1984	Additions (Reductions)	Balance December 31, 1984
Special Assessment Funds:			
6.93%, 1980 street resurfacing note	$ 52,407	$ (26,507)	$ 25,900
6.93%, 1981 street resurfacing note	76,939	(25,139)	51,800
6.93%, 1982 street resurfacing note	80,934	(20,934)	60,000
6.93%, 1983 street resurfacing note	294,000	(58,800)	235,200
6.93%, 1984 street resurfacing note		168,000	168,000
8.875%, 1982 breakwall improvement bonds due 1984 through 1993	215,000	(20,000)	195,000
8.75%, 1983 Waterford breakwall bonds due 1985 through 1994	93,000		93,000
8.25%, 1983 breakwall improvement bonds due 1985 through 1994	111,000		111,000
	923,280	16,620	939,900

NOTE F — DEBT AND OTHER LONG-TERM OBLIGATIONS — Continued

	Balance January 1, 1984	Additions (Reductions)	Balance December 31, 1984
General Long-Term Obligations Account Group:			
6.93%, 1980 street resurfacing note	87,593	(43,493)	44,100
6.93%, 1981 street resurfacing note	133,061	(44,861)	88,200
6.93%, 1982 street resurfacing note	239,066	(59,066)	180,000
6.93%, 1983 street resurfacing note	456,000	(91,200)	364,800
6.93%, 1984 street resurfacing note		132,000	132,000
6.93%, 1984 Lake Avenue resurfacing note		400,000	400,000
6.97%, 1984 fire truck improvement note		165,000	165,000
3.25%, 1965 hospital improvement bonds due through 1985	180,000	(90,000)	90,000
5.625%, 1978 air pollution equipment bonds due through 1998	600,000	(40,000)	560,000
5.625%, 1972 parking improvement bonds due through 1993	25,000	(3,000)	22,000
11.75%, 1981 recreational facilities bonds due through 1997	2,685,000	(155,000)	2,530,000
7%, 1983 refuse truck acquisition bonds due through 1988	1,000,000	(200,000)	800,000
	5,405,720	(29,620)	5,376,100

NOTE F — DEBT AND OTHER LONG-TERM OBLIGATIONS — Continued

	Balance January 1, 1984	Additions (Reductions)	Balance December 31, 1984
Enterprise Funds:			
5.66%, 1974 parking garage improvement note	600,000	(600,000)	
6.66%, 1981 sewer facilities improvement note	4,000,000		4,000,000
6.66%, 1982 Cohasett water main note	250,000		250,000
5.90%, 1983 Olive sewer note	400,000	(400,000)	
6.66%, 1983 Olive water main note	800,000	(100,000)	700,000
6.66%, 1984 Parkside-McKinley water main note		100,000	100,000
6.97% Motorized equipment note		145,000	145,000
5.375%, 1971 hospital improvement bonds due through 1991	320,000	(40,000)	280,000
4.75%, 1971 hospital improvement bonds through 1994	950,000	(90,000)	860,000
5.75% to 9.875%, 1983 hospital improvement bonds due 1985 through 2014	31,695,000		31,695,000
Variable rate (6.95%) hospital improvement bonds due 2010	3,850,000	(10,000)	3,840,000
3.25%, 1956 water main construction bonds due through 1987	40,000	(10,000)	30,000
3.75%, 1960 water main construction bonds due through 1990	44,000	(7,000)	37,000
4.75%, 1968 sewer plant improvement bonds due through 1991	1,040,000	(130,000)	910,000
5.625%, 1978 sewer construction bonds due through 1993	240,000	(20,000)	220,000
5.625%, 1978 parking garage construction bonds due through 1998	2,765,000	(180,000)	2,585,000
Capital lease obligations		436,458	436,458
	46,994,000	(905,542)	46,088,458
Less unamortized bond discount	(89,892)	3,329	(86,563)
	46,904,108	(902,213)	46,001,895
TOTAL DEBT	$53,233,108	$ (915,213)	$52,317,895

NOTE F — DEBT AND OTHER LONG-TERM OBLIGATIONS — Continued

Annual maturity and sinking fund requirements to pay principal and interest on the obligations outstanding at December 31, 1984 follow:

	Special Assessments Funds Debt		General Long-Term Obligations Account Group		Enterprise Funds Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
1985	$578,900	$ 72,085	$1,861,100	$ 475,122	$ 6,025,022	$ 3,899,502
1986	38,000	31,301	398,000	342,331	861,119	3,505,268
1987	39,000	28,001	397,000	307,700	888,792	3,453,807
1988	39,000	24,614	398,000	273,125	912,091	3,398,909
1889	39,000	21,226	197,000	238,494	830,434	3,347,016
1990-1993	183,000	48,596	805,000	744,957	3,076,000	12,850,697
1994-1998	23,000	1,947	1,000,000	456,750	3,820,000	14,781,438
1999-2003			320,000	37,600	4,445,000	12,900,618
2004-2008					7,105,000	10,109,021
2009-2013					15,135,000	4,910,304
2014					2,990,000	147,628
	$939,900	$227,770	$5,376,100	$2,876,079	$46,088,458	$73,304,208

Notes payable represent councilmanic approved general obligation bond anticipation notes in which the full faith, credit, and general revenues of the City are irrevocably pledged. Such notes are issued by the City with one year maturity. Ohio law permits the issuance and renewal of bond anticipation notes such that the notes may remain outstanding for twenty years consecutively before such notes must be retired either from available funds of the City or from the proceeds of bonds issued to redeem the anticipation notes. The City has the legal ability to renew $70,000 until 2000, $4,140,000 until 2001, $490,000 until 2002 and $1,300,000 until 2003, and $1,110,000 until 2004, of notes payable at December 31, 1984. In May, 1985, the City renewed substantially all of the notes reported in the Special Assessments Funds and the General Long-Term Obligations Account Group. The City also intends to renew a substantial amount of the notes reported in the Enterprise Funds.

All bonds payable, except the 1983 hospital revenue bonds, are general obligation bonds in which the full faith, credit, and general revenues of the City are irrevocably pledged.

Special Assessment Funds bonds and notes payable are to be paid from special assessments levied against property owners which are payable over periods ranging from five to ten years, with interest equal to the interest on the bonds and notes issued by the City for the improvements.

It is the intention of the City that all enterprise fund obligations be paid from their operations.

NOTE F — DEBT AND OTHER LONG-TERM OBLIGATIONS — Continued

The City has the ability to issue $24.3 million of additional debt without obtaining voter approval.

Initial financing for a hospital improvement project was accomplished through the issuance, by the City, of $23,710,000 in Hospital Improvement Revenue Bonds, 1982 Series (Series 1982 Bonds) in March, 1982. During April, 1983, the City issued $31,695,000 Hospital Improvement Revenue Bonds Series 1983-A (Refunding Bonds) to advance refund the Series 1982 Bonds and 1970 Hospital Improvement Revenue Bonds. In conjunction with this advance refunding, the Hospital has placed the net proceeds from the issuance of the Refunding Bonds along with certain Funds held by Trustee related to the Series 1982 Bonds and the 1970 Hospital Improvement Revenue Bonds in an irrevocable trust for the purpose of retiring the existing obligation on the refunded debt. The Refunding Bonds mature in annual installments ranging from $250,000 in 1985 to $22,540,000 in 2014 with interest due each February 1 and August 1 at rates varying from $5\frac{3}{4}$% to $9\frac{5}{8}$%. Early redemption provisions are available.

The trust indenture between the City and the Trustee provides that the City shall establish and maintain a Hospital Revenue Fund separate and distinct from all other funds. The trust indenture also provides that, after meeting all reasonable operating and maintenance costs from the Hospital Revenue Fund, the City shall make payments into certain Special Funds established by the trust indenture relating to the Refunding Bonds as follows:

Debt Service Fund: Monthly payments shall be sufficient to pay principal and interest due on the next ensuing payment dates.

Debt Service Reserve Fund: Payments, if necessary, to maintain the fund's balance at an amount equal to the maximum bond service charges to be paid in any subsequent calendar year.

Depreciation Reserve Fund: Commencing in November, 1984, monthly payments equaling one-twelfth of the amount by which depreciation expense as defined by the trust indenture exceeds that year's principal requirements. Monies contained in the depreciation reserve fund previously established in conjunction with the refunded Series 1982 Bonds and 1970 Hospital Improvement Revenue Bonds were transferred to this fund at the time the Refunding Bonds were issued.

NOTE F — DEBT AND OTHER LONG-TERM OBLIGATIONS — Continued

The trust indenture also established a Construction Fund from which certain proceeds from the sale of the Refunding Bonds shall be used to finance the completion of the renovation and remodeling of the Hospital's facilities.

The balances of the Funds held by Trustee related to the Refunding Bonds at December 31, 1984 are as follows:

Debt Service Fund	$1,542,873
Debt Service Reserve Fund	3,371,103
Depreciation Reserve Fund	1,848,295
Construction Fund	1,051,901
	$7,814,172

The estimated required payments into these funds from 1985 to 1989 are as follows:

1985	$3,290,000
1986	3,290,000
1987	3,290,000
1988	3,290,000
1989	3,290,000

During 1983, the Hospital completed a transaction for the purchase of a medical office building. Financing for this purchase was accomplished through the issuance by the City of $3,850,000 in Subordinated Hospital Improvement Revenue Bonds, Series 1983. The Bonds are dated to mature in 2010 with early redemption provisions available and bear interest at a floating rate established semi-annually based upon prevailing interest rates at the time. The Bonds are secured by a letter of credit issued by National City Bank which extends until December 1, 1988. According to the trust indenture between the City and the Trustee, if the letter of credit is not extended or an alternate letter of credit provided, the entire outstanding principal amount of the Bonds will be subject to mandatory redemption on November 1, 1988. The trust indenture between the City of Lakewood and the Trustee provides for the maintenance of a debt service fund from which all bond service charges are to be paid. The balance in this fund was $60,148 at December 31, 1984 and is included in other assets.

NOTE M — SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains five enterprise funds which provide hospital, water, sewer, parking and housing services. Information for the year ended December 31, 1984 for the five major enterprise funds is summarized as follows:

	Lakewood Hospital	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Total Enterprise Funds
Operating revenues	$47,499,807	$3,178,025	$ 2,866,548	$845,221	$ 8,101	$54,397,702
Depreciation and amortization expense	2,395,583	58,647	778,049	92,723	490	3,325,492
Operating income	643,994	98,310	280,780	442,793	2,426	1,468,303
Tax revenues			869,464			869,464
Net income (loss)	2,836,738	38,446	240,912	(510,872)	2,426	2,607,650
Transfer to Capital Projects Fund				750,000		750,000
Current capital contributions		525,611	186,287	419		712,317
Net additions (reductions) to property, plant and equipment	12,141,079	633,658	905,599	(2,145,120)		11,535,216
Net working capital	5,238,166	257,214	587,946	181,556	15,432	6,280,314
Total identifiable assets	75,795,133	2,881,551	26,611,150	3,866,644	49,324	109,203,802
Bonds and other long-term liabilities payable from operating revenues	37,024,895	67,000	1,130,000	2,585,000		40,806,895
Total equity	32,087,869	1,003,906	20,957,689	1,228,003	47,905	55,325,372

NOTE N — OTHER ASSETS

Other assets consist of the following non-current accounts of Lakewood Hospital as of December 31, 1984:

Assets held by Trustee — cash and short-term investments	$ 7,874,320
Deferred receivable — advance refunding	3,001,172
Board designated assets — primarily short-term cash investments	2,389,937
Unamortized bond financing costs	1,096,301
	$14,361,730

NOTE O — TRANSFER OF PARKING GARAGE FACILITY

In 1984 the City transferred a parking garage facility from the Parking Facilities Fund to the Lakewood Hospital Fund. This transfer is being treated as a quasi-external sale of assets as it was not the City's intention for the Parking Facilities Fund to contribute capital to Lakewood Hospital and the gross transfer price of $3,350,000 was based upon appraised market value. The terms of the transfer provided for a cash payment of $1,350,000 upon the transfer of the operation and control of the parking garage with the remaining portion of the transfer price being paid in annual installments equal to one-half of the net revenues earned from operation of the facility, commencing at the time that the garage has become fully depreciated. The Parking Facilities Fund has recognized a loss of $813,534 on the transfer representing the difference between the book value of the garage and the net present value of the proceeds.

NOTE P — SUBSEQUENT EVENTS

In May 1985, the City authorized $275,000 and $700,000 of one year councilmanic approved general obligation notes with interest at 5.79% for street improvements and reconstruction.

CITY OF LAKEWOOD, OHIO

ENTERPRISE FUNDS

COMBINING FINANCIAL STATEMENTS

Enterprise funds are set up to account for the acquisition and operation of governmental facilities and services that are entirely or predominately self-supporting from user charges. The City of Lakewood operates the following enterprise activities:

LAKEWOOD HOSPITAL FUND	To account for the health care services provided by the City owned and operated hospital.
WATER FUND	To account for the provision of water distribution to the residents and commercial users of the City.
SEWER AND WASTEWATER FUND	To account for sanitary sewer services provided to the residential and commercial users of the City.
PARKING FACILITIES FUND	To account for off-street parking services provided by the City.
CONGREGATIONAL LIVING FACILITY	To account for residential accommodations for senior citizens provided by the City.

All activities necessary to provide the above services are accounted for in each particular fund including, but not limited to, administration, operations, maintenance, financing, related debt service, invoicing, and collection.

COMBINING BALANCE SHEETS — ALL ENTERPRISE FUNDS

CITY OF LAKEWOOD, OHIO

December 31, 1984

	Lakewood Hospital	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Totals 1984	Totals 1983
ASSETS							
Cash and cash equivalents	$ 2,550,268	$ 224,455	$ 408,144	$ 142,654	$16,851	$ 3,342,372	$ 6,594,100
Receivables:							
Accounts	7,204,848	792,797	507,572			8,505,217	6,529,116
Other	171,047					171,047	43,009
Less: allowance for doubtful accounts	(907,919)					(907,919)	(615,157)
	6,467,976	792,797	507,572			7,768,345	5,956,968
Due from third-party payors							243,054
Due from other funds				92,543		92,543	189,838
Due from other governments							160,838
Inventory of supplies at cost	415,588					415,588	472,749
Prepaid expenses	135,138	607	202			135,947	131,325
Other assets	14,361,730					14,361,730	20,455,326
Restricted cash and cash equivalents	2,538,597		1,456,567			3,995,164	4,713,234
Fixed assets in service:							
Land and land improvements	602,097		55,483	269,139	21,980	948,699	576,191
Utility plant in service		2,657,580	22,084,350			24,741,930	15,764,993
Buildings, structures and improvements	53,035,838			4,361,294	24,406	57,421,538	30,895,832
Machinery and equipment	10,943,493	141,258	6,365,309	5,958		17,456,018	8,491,622
Less: accumulated depreciation	(15,728,073)	(1,334,876)	(4,266,477)	(1,004,944)	(13,913)	(22,348,283)	(19,462,293)
	48,853,355	1,463,962	24,238,665	3,631,447	32,473	78,219,902	36,266,345
Construction in progress	472,481	399,730				872,211	34,612,715
TOTAL ASSETS	$75,795,133	$2,881,551	$26,611,150	$3,866,644	$49,324	$109,203,802	$109,796,492

	Lakewood Hospital	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Totals 1984	Totals 1983
LIABILITIES							
Accounts payable	$ 1,064,084	$ 7,267	$ 106,656	$ 13,922	$ 541	$ 1,192,470	$ 1,315,423
Due to third party payors	256,262					256,262	
Current financing advance — Blue Cross	362,100					362,100	394,100
Due to other funds	92,211	350,000				442,211	542,711
Due to other governments		291,785		6,717	878	299,380	230,688
Accrued wages and benefits	1,390,093	102,264	179,992	20,885		1,693,234	1,615,801
Accrued interest	1,312,735	9,329	41,324	12,117		1,375,505	1,480,144
Other liabilities	1,396,192					1,396,192	1,795,469
Deferred revenue from third parties	808,692					808,692	1,467,903
Payable from restricted assets			50,489			50,489	1,294,740
Debt:							
Notes payable		1,050,000	4,145,000			5,195,000	6,050,000
General obligation bonds payable		67,000	1,130,000	2,585,000		3,782,000	4,129,000
Hospital improvement bonds payable	1,140,000					1,140,000	1,270,000
Hospital improvement revenue bonds payable	35,448,437					35,448,437	35,455,108
Capital lease obligations	436,458					436,458	
	37,024,895	1,117,000	5,275,000	2,585,000		46,001,895	46,904,108
TOTAL LIABILITIES	43,707,264	1,877,645	5,653,461	2,638,641	1,419	53,878,430	57,041,087
CONTRIBUTED CAPITAL AND RETAINED EARNINGS							
Contributed capital — City of Lakewood and others		1,110,489	16,771,855	1,741,348	32,473	19,656,165	19,550,253
Retained earnings (deficit):							
Reserved for restricted assets	2,538,597		1,406,078			3,944,625	4,377,686
Unreserved	29,549,272	(106,583)	2,779,756	(513,345)	15,432	31,724,532	28,827,466
	32,087,869	(106,583)	4,185,834	(513,345)	15,432	35,669,207	33,205,152
TOTAL EQUITY	32,087,869	1,003,906	20,957,689	1,228,003	47,905	55,325,372	52,755,405
TOTAL LIABILITIES AND EQUITY	$75,795,133	$2,881,551	$26,611,150	$3,866,644	$49,324	$109,203,802	$109,796,492

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS (DEFICIT) — ALL ENTERPRISE FUNDS

CITY OF LAKEWOOD, OHIO

Year Ended December 31, 1984

	Lakewood Hospital	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Totals 1984	Totals 1983
OPERATING REVENUES							
Patient service revenue — net	$46,935,961					$46,935,961	$45,673,886
Other charges for services		$3,131,689	$1,985,960	$ 840,180		5,957,829	5,485,960
Other operating revenue	563,846	46,336	880,588	5,041	$ 8,101	1,503,912	1,425,518
TOTAL OPERATING REVENUES	47,499,807	3,178,025	2,866,548	845,221	8,101	54,397,702	52,585,364
OPERATING EXPENSES							
Personal services	23,246,675	442,735	892,321	101,232		24,682,963	24,312,218
Benefit payments	5,555,019	124,973	131,134	14,527		5,825,653	5,905,749
Purchased water		2,096,070				2,096,070	1,822,202
Heat, light and power	1,259,733	11,037	255,624	53,697	2,651	1,582,742	1,433,969
Contractual services	2,990,493		89,869	56,970		3,137,332	2,972,608
Supplies and materials	6,892,208	95,318	287,648	32,526		7,307,700	7,320,509
Depreciation	2,392,254	58,647	778,049	92,723	490	3,322,163	1,707,878
Other	4,519,431	250,935	151,123	50,753	2,534	4,974,776	4,335,217
TOTAL OPERATING EXPENSES	46,855,813	3,079,715	2,585,768	402,428	5,675	52,929,399	49,810,350
OPERATING INCOME (LOSS)	643,994	98,310	280,780	442,793	2,426	1,468,303	2,775,014
NONOPERATING REVENUES (EXPENSES)							
Interest revenue and contributions	2,192,744	14,891	326,764	24,000		2,558,399	2,938,376
Interest expense and fiscal charges		(74,755)	(366,632)	(164,131)		(605,518)	(415,634)
Loss on sale of assets				(813,534)		(813,534)	
TOTAL NONOPERATING REVENUES (EXPENSES)	2,192,744	(59,864)	(39,868)	(953,665)		1,139,347	2,522,742
INCOME (LOSS) BEFORE EXTRAORDINARY LOSS	2,836,738	38,446	240,912	(510,872)	2,426	2,607,650	5,297,756
Extraordinary loss							(1,208,491)
NET INCOME (LOSS)	2,836,738	38,446	240,912	(510,872)	2,426	2,607,650	4,089,265
Residual equity transfer				(750,000)		(750,000)	
Depreciation on fixed assets acquired by contributed capital — City of Lakewood and others		24,299	544,634	36,982	490	606,405	202,472
INCREASE (DECREASE) IN RETAINED EARNINGS	2,836,738	62,745	785,546	(1,223,890)	2,916	2,464,055	4,291,737
Retained earnings (deficit) — January 1, restated — See Note	29,251,131	(169,328)	3,400,288	710,545	12,516	33,205,152	28,913,415
Retained earnings (deficit) — December 31	$32,087,869	$ (106,583)	$4,185,834	$ (513,345)	$15,432	$35,669,207	$33,205,152

Note: Reflects corrections of errors in fixed assets for the Sewer and Wastewater Fund and the Parking Facilities Fund. The restatement decreased retained earnings as previously reported for the Sewer and Wastewater Fund by $124,513 and increased retained earnings as previously reported for the Parking Facilities Fund by $124,513. The restatement did not have a material effect on 1983 net income of these funds.

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION — ALL ENTERPRISE FUNDS
CITY OF LAKEWOOD, OHIO

Year Ended December 31, 1984

	Lakewood Hospital	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Totals 1984	Totals 1983
SOURCES OF WORKING CAPITAL							
Operations:							
Income (loss) before extraordinary loss	$ 2,836,738	$ 38,446	$ 240,912	$ (510,872)	$2,426	$ 2,607,650	$ 5,297,756
Items not requiring (providing) working capital:							
Depreciation and amortization	2,395,583	58,647	778,049	92,723	490	3,325,492	1,707,878
WORKING CAPITAL PROVIDED (USED) BY OPERATIONS BEFORE EXTRAORDINARY LOSS	5,232,321	97,093	1,018,961	(418,149)	2,916	5,933,142	7,005,634
Extraordinary loss							(1,208,491)
WORKING CAPITAL PROVIDED (USED) BY OPERATIONS AND EXTRAORDINARY LOSS	5,232,321	97,093	1,018,961	(418,149)	2,916	5,933,142	5,797,143
Proceeds of notes		100,000	145,000			245,000	800,000
Proceeds of hospital improvement revenue bonds							35,455,108
Net increase in capital lease obligation	436,458					436,458	
Increase in contributed capital		525,611	186,287	419		712,317	2,761,302
Net decrease in other assets	7,636,469					7,636,469	10,624,554
Net decrease (increase) in restricted assets	(522,951)		1,241,021			718,070	
TOTAL SOURCES OF WORKING CAPITAL	12,782,297	722,704	2,591,269	(417,730)	2,916	15,681,456	55,438,107
USES OF WORKING CAPITAL							
Residual equity transfer				750,000		750,000	
Acquisition (disposal) of property, plant and equipment — net	12,141,079	633,658	905,599	(2,145,120)		11,535,216	26,071,561
Advance refunding — hospital improvement revenue bonds							27,436,250
Retirement of notes		100,000	400,000	600,000		1,100,000	500,000
Retirement of general obligation bonds		17,000	150,000	180,000		347,000	347,000
Retirement of hospital improvement bonds	130,000					130,000	130,000
Retirement of hospital improvement revenue bonds	10,000					10,000	58,750
Net increase in restricted assets							720,828
Net decrease in liabilities payable from restricted assets			1,244,251			1,244,251	607,395
Decrease in deferred revenue	659,211					659,211	86,539
TOTAL USES OF WORKING CAPITAL	12,940,290	750,658	2,699,850	(615,120)		15,775,678	55,958,323
NET INCREASE (DECREASE) IN WORKING CAPITAL	$ (157,993)	$ (27,954)	$ (108,581)	$ 197,390	$2,916	$ (94,222)	$ (520,216

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION — ALL ENTERPRISE FUNDS — Continued

CITY OF LAKEWOOD, OHIO

Year Ended December 31, 1984

	Lakewood Hospital	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Totals 1984	Totals 1983
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL							
Cash and cash equivalents	$ (774,447)	$(465,810)	$(346,952)	$(125,308)	$3,662	$(1,708,855)	$ 705,253
Receivables (net of allowance for doubtful accounts)	1,379,124	267,477	164,776			1,811,377	196,058
Due from other funds	(167,919)			70,624		(97,295)	(85,362)
Due from other governments			(160,838)			(160,838)	(1,992,337)
Inventory of supplies	(57,161)					(57,161)	(31,386)
Prepaid expenses	3,813	607	202			4,622	9,206
Accounts payable	(177,582)	77,003	147,194	41,357	(499)	87,473	220,181
Due to/from third party payors (net)	(499,316)					(499,316)	1,040,535
Current financing advance — Blue Cross	32,000					32,000	9,900
Due to other funds	(32,342)			132,842		100,500	(58,746)
Due to other governments		(136,123)		67,678	(247)	(68,692)	46,841
Accrued wages and benefits	(35,692)	(19,753)	(17,484)	(4,504)		(77,433)	(195,430)
Accrued interest	(5,193)	26,090	69,041	14,701		104,639	141,785
Other liabilities	176,722	222,555	35,480			434,757	(526,714)
NET INCREASE (DECREASE) IN WORKING CAPITAL	$(157,993)	$ (27,954)	$(108,581)	$197,390	$2,916	$ (94,222)	$ (520,216)

CITY OF LAKEWOOD, OHIO

REVENUE BOND COVERAGE — HOSPITAL BONDS

Last Ten Fiscal Years[1]

Fiscal Year	Gross[2] Revenue	Total Operating Expenses	Net Revenue Available for Debt Service[3]	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1975	$16,706,914	$16,102,355	$ 604,559	$365,000	$553,081	$ 918,081	.66
1976	19,762,057	18,579,383	1,182,674	365,000	529,619	894,619	1.32
1977	21,831,373	20,526,079	1,305,294	365,000	506,156	871,156	1.50
1978	23,696,565	21,925,090	1,771,475	365,000	482,694	847,694	2.09
1979	26,636,982	24,867,725	1,769,257	365,000	459,231	824,231	2.15
1980	32,087,158	30,120,479	1,966,679	365,000	435,769	800,769	2.46
1981	40,627,826	37,458,836	3,168,990	365,000	414,456	779,456	4.07
1982	47,386,713	42,264,581	5,122,132	365,000	700,280	1,065,280	4.81
1983	48,716,075	44,108,852	4,607,223	188,750	969,420	1,158,170	3.98
1984	49,692,551	46,855,813	2,836,738	369,163	3,347,820	3,716,983	1.86

[1]For the year ended December 31, 1981 the City presented for the first time general purpose financial statements by fund type and account group. Thus, they are not comparable to the cash basis financial statements presented in prior years.

[2]Gross Revenue is Total Operating Revenues plus Interest Revenue and contributions.

[3]Net Revenue available for debt service is equal to income before operating transfers.

THE CITY OF
LAKEWOOD, OHIO

Comprehensive Annual
Financial Report

Year Ending December 31, 1985

western boundary of Cleveland. The City covers an area of 5.66 square miles, was incorporated as a village in 1889, became a City in 1911 and has an estimated population of 61,963 based on the U.S. Bureau of Census, 1980. The City, noted for its attractive Gold Coast, which features a number of luxury condominiums located on the shore of Lake Erie near the Northeast corner of the City, is bounded on the north by Lake Erie and to the south and west by other cities. It is served by the Norfolk and Western Railroad and Conrail and also by Cleveland-Hopkins International Airport.

The City provides general governmental services for the territory contained within its boundaries, including: police and fire protection, disposal of garbage and rubbish, water and sewer services, street maintenance, street construction and reconstruction and cultural park and recreational facilities. The City also offers extensive services for senior citizens.

The City owns and operates eight parks with a total area of seventy acres and is contiguous to the Rocky River Reservation of the Cleveland Metropolitan Park District, a separate political subdivision conterminous with Cuyahoga County. The City also owns Winterhurst, which the City believes is one of the largest ice skating facilities of its type in the United States. The Kenneth C. Beck Center for the Cultural Arts is the home of the Lakewood Little Theater, a semi-professional dramatic group which provides year-round productions. The Lakewood Historical Society preserves the heritage of the City and operates in "The Old Stone House" which was built in 1838 and is located in Lakewood Park. The City also sponsors the annual Lakewood Arts Festival and weekly summer band concerts.

The City is served by Lakewood Hospital, a 410 bed acute care hospital, located in the center of the City. Lakewood Hospital admits approximately 9,300 patients annually, and employs approximately 960 employees with an annual payroll in excess of $20.5 million. Lakewood Hospital is owned by the City and operated by a Board of Trustees consisting of the Mayor, who serves as the President of the Board, one member of City Council who serves as Chairman of the Council's Hospital Committee, the City's Commissioner of Health, and fifteen members who are appointed by the Mayor with approval of Council. This Hospital has served the City since 1907.

On November 5, 1985, the citizens of Lakewood approved a Charter Amendment, authorizing Lakewood City Council and the Lakewood Hospital Board of Trustees to enter into a lease agreement. The parties of the lease agreement would include the City of Lakewood and the Lakewood Hospital Association, a non-profit corporation organized for the charitable purpose of operating the Hospital and its related health care services. The purpose of the lease agreement is to insure the financial well being of Lakewood Hospital, continue existing services and develop new programs, thereby, continuing the services and traditions of Lakewood Hospital for generations to come. No lease arrangement has been finalized as of this date.

All funds and entities related to and controlled by the City of Lakewood are included in the CAFR. Criteria used to determine or evaluate the reporting entity was The National Council on Governmental Accounting (NCGA) Statement 3, "Defining the Governmental Reporting Entity", which includes the exercise of oversight responsibility, the scope of public service and special financing relationships.

ENTERPRISE FUND TYPE

Comparison of Revenues and Expenditures (Amounts in Millions)

	1984	1985	Percentage Increase (Decrease)
Operating revenues:			
Patient service - revenue (net)	$ 46.936	46.104	(1.78)%
Other charges for service	5.958	6.623	11.16
Other operating revenue	1.504	1.443	(4.05)
Total operating revenues	$ 54.398	54.170	(.0042)
Operating expenses:			
Personal services	$ 24.683	22.169	(10.18)%
Benefit payments	5.825	5.592	(4.00)
Purchased water	2.096	2.046	(2.38)
Heat, light and power	1.583	1.745	10.23
Contractual services	3.137	3.469	10.58
Supplies and materials	7.308	6.851	(6.25)
Depreciation	3.322	4.063	22.30
Other	3.168	5.476	72.85
Total operating expenses	$ 51.122	51.411	.56

Operating revenues in the Enterprise Funds during the 1985 fiscal year decreased slightly to $54.170 million. Operating expenses increased .56% to $51.411 million. Lakewood Hospital patient service revenue decreased 1.78% or $.835 million.

The largest single percentage increase in operating expenses was for other expenses. Other expenses increased from $3.168 million in 1984 to $5.476 million in 1985, an increase of $2.31 million or 72.85%. This is primarily the result of expenses pertaining to the litigation discussed in note 11 of the notes to combined financial statements. Retained earnings in the Enterprise Funds increased from $35.669 million as of January 1, 1985 to $37.622 million as of December 31, 1985, a total of 5.48%. In 1985, Enterprise Funds combined experienced a net increase of $.170 million in working capital.

FIXED ASSETS ACCOUNT GROUP

General Fixed Assets of the City of Lakewood are those used in the performance of general governmental functions, but exclude the fixed assets of the Enterprise Funds. The General Fixed Assets have increased from $13.652 million to $14.963 million, an increase of $1.311 million or 9.6%.

CASH MANAGEMENT

Cash which was temporarily idle during 1985 was invested in Certificates of Deposit or Repurchase Agreements (secured by U.S. Treasury Bills), using the pooled cash concept. The City invests all funds' cash, with maturities planned to coincide with cash needs.

(1) Description of Reporting Entity, Basis of Presentation and Summary of Signigicant Accounting Policies

(a) Financial Reporting Entity

For financial reporting purposes, the City of Lakewood, Ohio (the "City") includes all funds, account groups, agencies, boards, commissions, and authorities over which the City exercises oversight responsibility. Oversight responsibility, as defined by National Council on Goverment Accounting (NCGA) Statement 3, Defining the Governmental Reporting Entity, was determined on the basis of the City's ability to significantly influence operations, select the governing authority, and participate in fiscal management and scope of public service. This oversight responsibility was further determined by the City on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the City, obligation of the City to finance any deficits that may occur, or receipt of significant subsidies from the City. On this basis, the reporting entity of the City includes police and fire protection, waste collection, street maintenance, parks and recreation, municipal court, health and certain social services and general administration services. In addition the City owns and operates several enterprise activities, including a hospital, a water system, a local sewer system and parking facilities.

The following entities which are associated with the City and perform activities within the City's boundaries for the benefit of the City and/or its residents are excluded from the accompanying financial statements because the City does not exercise significant influence over their operations, approve budgets, maintain accounting records, or provide funding.

City of Lakewood School Board--provides education services to the community.

Community Development Corporation of Lakewood--performs Community Development Grant Program activities.

Lakewood Hospital Foundation, Inc.--contributes to and supports Lakewood Hospital.

Lakewood Public Library--makes available books, periodicals and reference materials to the general public.

(b) Basis of Presentation

The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applicable to governments.

(Continued)

(k) Encumbrances

As part of formal budgetary control over governmental funds, purchase orders, contracts, and other commitments for expenditures are encumbered and reported as expenditures on the non-GAAP budget basis in order to reserve that portion of the applicable appropriation. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balance since they do not represent expenditures or liabilities of the governmental funds.

(l) Patient Service Revenue--Net

Patient service revenue is recorded at Lakewood Hospital's established rates with contractual adjustments and charity allowances and a provision for uncollectible accounts deducted to arrive at net patient service revenue.

(m) Grants and Other Intergovernmental Revenues

Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. Federal reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditures/expenses are incurred. Amounts received in excess of expenditures/expenses are reflected as deferred revenue.

(n) Proceeds of General Obligation Bonds and Notes

The proceeds of those general obligation bonds and notes which are accounted for in the general long term obligations account group and serviced by General Fund revenues are reported as other financing sources in the Capital Projects and Special Assessments funds receiving the proceeds.

(o) Contributed Capital-Enterprise Funds

Contributed capital for the enterprise funds (excluding Lakewood Hospital) was estimated by assuming that as of January 1, 1981 the net fixed assets of such funds were acquired first through outstanding debt (less related restricted assets) and then through capital contributions of the City or others. Contributed capital is reduced annually by the amount of depreciation applicable to the fixed assets acquired through such capital contributions.

(p) Interfund Transactions

During the course of normal operations the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. Operating subsidies are recorded as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is based on the intent of the City at the time of the transactions.

(Continued)

(2) Changes in General Fixed Assests

A summary of changes in general fixed assets follows:

	Balance January 1, 1985	Additions	Deletions	Balance December 31, 1985
Land and land improvements	$ 795,572	1,667,818		2,463,390
Buildings, structures and improvements	6,499,266	545,661		7,044,927
Machinery and equipment	4,962,330	852,698	360,633	5,454,395
Construction in progress	1,394,704		1,394,704	
	$ 13,651,872	3,066,177	1,755,337	14,962,712

(3) Interfund Receivables and Payables

The following balances at December 31, 1985 represent individual fund interfund receivables and payables:

Fund	Interfund Receivables	Interfund Payables
General fund	$ 260,488	59,662
Special revenue funds:		
Ohio Preservation Grant	900	-
Police and Fire pension	-	40,000
Community Development Block Grant	14,253	900
Debt service fund	677,100	1,290,271
Special assessment funds:		
Local street and sidewalk improvement	1,282,627	677,100
Enterprise funds:		
Lakewood Hospital	-	33,216
Water	-	230,000
Parking facilities	95,781	-
	$ 2,331,149	2,331,149

(4) Pension and Retirement Plans

All full time employees of the City are covered by one of two state administered pension plans. The Police and Firemen's Disability and Pension Fund provides benefits to all uniformed City police and firemen. During 1985, the employees contributed 8.5% of their annual compensation to this plan and the City contributed 18.45% of annual salary in the case of police and 23.57% in the case of firemen. In addition the City makes semi-annual payments to the Police and Firemen's Disability and Pension Fund for its portion of past

(Continued)

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CITY OF LAKEWOOD, OHIO

Notes to Combined Financial Statements

(6) Debt and Other Long-Term Obligations

Debt of the City is as follows:

		Balance January 1, 1985	Additions (Reductions)	Balance December 31, 1985
Special Assessment Funds:				
6.93%, 1980 street resurfacing note	$	25,900	(25,900)	-
5.79%, 1981 street resurfacing note		51,800	(26,180)	25,620
5.79%, 1982 street resurfacing note		60,000	(19,520)	40,480
5.79%, 1983 street resurfacing note		235,200	(58,800)	176,400
5.79%, 1984 street resurfacing note		168,000	(33,600)	134,400
5.79%, 1985 street resurfacing note		-	170,000	170,000
8.875%, 1982 breakwall improvement bonds due 1984 through 1993		195,000	(20,000)	175,000
8.75%, 1983 Waterford breakwall bonds due 1985 through 1994		93,000	(21,000)	72,000
8.25%, 1983 breakwall improvement bonds due 1985 through 1994		111,000	(10,000)	101,000
		939,900	(45,000)	894,900

(Continued)

(b) The electors of the City have authorized the Council to levy each year up to 2.0 and 8.45 mills, respectively, on all taxable property in the City without further authorization from the electors for the aforesaid purposes, but subject to change by further action of the electors. No portion of the 2.0 mills and 8.45 mills, respectively, can be preempted by an overlapping taxing subdivision.

(c) The electors of the City have authorized the Council to levy each year an amount of millage sufficient in rate to provide all moneys required by the laws of the State to be paid by the City into the Police and Firemen's Disability and Pension Fund of the State on all of the taxable property in the City without further authorization from the electors, but subject to change by further action of the electors. No portion of the levy can be preempted by an overlapping taxing subdivision.

Real property taxes received by the City in a calendar year are levied on October 1 of the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35% of appraised market value. A revaluation of all property is required to be completed no less than every six years, with a statistical update every third year. The last revaluation was completed in 1982. Public utility property taxes are assessed on tangible personal property, as well as land improvements, at true value (in general, true value is net book value). Tangible personal property used in business (except for the public utility business) is assessed at 33% of average value for inventories and 33% of true value for substantially all other personal property for the year 1984.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Lakewood. Taxes are payable in two equal installments on January 10 and July 7 and, if not paid, become delinquent after December 31, of the year they are due. On the first Monday of February and August, the County Auditor remits to the City its portion of the taxes collected. Property taxes are recognized as revenues when received since they are used to pay current period liabilities.

(11) Contingencies

(a) Gain Contingency

On April 2, 1985, the Court of Common Pleas of the County of Cuyahoga, ruled in favor of Lakewood Hospital as a result of a lawsuit filed against Blue Cross and Blue Shield of Northern Ohio. A jury verdict returned on April 5, 1985 in the above court action awarded Lakewood Hospital $1,750,000 as compensatory damages and $2,500,000 as punitive damanages.

The amount of damages, if any, resulting from the final settlement of this action will be reflected in the Hospital's financial statements at the time that the action is ultimately resolved. See also note 14 for status of Lakewood Hospital to City of Lakewood. Litigation expenses are being recognized as an expense by the Hospital when incurred.

Blue Cross and Blue Shield of Northern Ohio has appealed the decision and, as of the date of the auditors' report, the matter is pending before the Court of Appeals, 8th District, County of Cuyahoga.

(b) Loss Contingencies and Commitments

There are several lawsuits pending in which the City is involved. City management estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City.

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, will be immaterial.

The City had no material operating lease or contractual commitments at December 31, 1985.

(12) Segment Information for Enterprise Funds

The City maintains five enterprise funds which provide hospital, water, sewer, parking and housing services. Information for the year ended December 31, 1985 for the five major enterprise funds is summarized as follows:

	Lakewood Hospital	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Total Enterprise Funds
Operating revenues	$ 46,510,958	3,694,353	3,324,859	631,895	8,100	54,170,165
Depreciation and amortization expense	3,244,737	57,905	834,576	91,190	490	4,228,898
Operating income (loss)	2,412,011	514,632	(332,532)	160,586	4,171	2,758,868
Tax revenues	-	-	881,313	-	-	881,313
Net income (loss)	1,313,998	445,867	(511,899)	16,024	4,171	1,268,161
Current capital contributions	-	581,960	-	-	-	581,960
Net additions (reductions) to property, plant and equipment	4,437,826	642,638	280,819	-	-	5,361,283
Net working capital	17,574,343	463,308	632,451	108,770	20,093	18,798,965
Total identifiable assets	76,144,687	3,694,609	25,808,075	3,696,807	52,076	109,396,254
Bonds and other long-term liabilities payable from operating revenues	36,697,764	50,000	980,000	2,405,000	-	40,132,764
Total equity	33,401,867	2,031,733	20,445,790	1,244,027	52,076	57,175,493

(13) Other Assets - Enterprise Fund

Other assets consist of the following non-current accounts of Lakewood Hospital as of December 31, 1985:

Assets held by Trustee--cash and short-term investments	$ 6,239,360
Deferred receivable--advance refunding	2,715,172
Board designated assets--primarily short-term cash investments	3,892,849
Unamortized bond financing costs	1,044,025
	$ 13,891,406

(14) Status of Lakewood Hospital

In November 1985 the citizens of Lakewood approved passage of a charter amendment permitting the City to enter into an agreement to lease the Lakewood Hospital facility to a not-for-profit corporation. As of May 16, 1986 no agreement had been signed. See note 12 for data concerning the Hospital.

CITY OF LAKEWOOD, OHIO

Enterprise Funds

Combining Financial Statements

Enterprise funds are set up to account for the acquisition and operation o governmental facilities and services that are entirely or predominatel self-supporting from user charges. The City of Lakewood operates th following enterprise activities:

Lakewood Hospital Fund	To account for the health care services provided b the City owned and operated hospital.
Water Fund	To account for the provision of water distributio to the residents and commercial users of the City.
Sewer and Wastewater Fund	To account for sanitary sewer services provided to the residential and commercial users of the City.
Parking Facilities Fund	To account for off-street parking services provided by the City.
Congregational Living Facility	To account for residential accommodations for senior citizens provided by the City.

All activities necessary to provide the above services are accounted for in each particular fund including, but not limited to, administration, operations, maintenance, financing, related debt service, invoicing, and collection.

CITY OF LAKEWOOD, OHIO

Combining Balance Sheet--All Enterprise Funds

December 31, 1985

(with comparative totals for 1984)

	Lakewood Hospital	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Totals 1985	Totals 1984
Assets:							
Cash and cash equivalents	$ 1,252,175	447,244	612,407	60,769	20,093	2,392,688	3,342,372
Receivables:							
Accounts	6,683,133	813,169	519,967	-	-	8,016,269	8,505,217
Other	238,210	-	-	-	-	238,210	171,047
Less: allowance for doubtful accounts	(913,171)	(14,229)	-	-	-	(927,400)	(907,919)
	6,008,172	798,940	519,967	-	-	7,327,079	7,768,345
Due from third-party payors	1,152,601	-	-	-	-	1,152,601	
Due from other funds	-	-	-	95,781	-	95,781	92,543
Due from other governments	-	-	-	-	-	-	-
Inventory of supplies at cost	378,336	-	-	-	-	378,336	415,588
Prepaid expenses	219,797	-	-	-	-	219,797	135,947
Other assets	13,891,406	-	-	-	-	13,891,406	14,361,730
Restricted cash and cash equivalents	2,723,275	-	990,793	-	-	3,714,068	3,995,164
Fixed assets in service:							
Land and land improvements	1,167,307	-	55,483	269,139	21,980	1,513,909	948,699
Utility plant in service	-	3,664,270	22,281,488	-	-	25,945,758	24,741,930
Buildings, structures and improvements	55,259,020	-	-	4,361,294	24,406	59,644,720	57,421,538
Machinery and equipment	12,920,855	176,936	6,448,990	5,958	-	19,552,739	17,456,018
Less: accumulated depreciation	(18,972,810)	(1,392,781)	(5,101,053)	(1,096,134)	(14,403)	(26,577,181)	(22,348,283)
	50,374,372	2,448,425	23,684,908	3,540,257	31,983	80,079,945	78,219,902
Construction in progress	144,553	-	-	-	-	144,553	872,211
Total assets	$ 76,144,687	3,694,609	25,808,075	3,696,807	52,076	109,396,254	109,203,802

(Continued)

CITY OF LAKEWOOD, OHIO

Combining Balance Sheet—All Enterprise Funds

December 31, 1985

(with comparative totals for 1984)

	Lakewood Hospital	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Totals 1985	Totals 1984
Liabilities:							
Accounts payable	$ 1,566,522	6,151	263,955	20,581	-	1,857,209	1,192,470
Due to third party payors	-	-	-	-	-	-	256,262
Current financing advance—Blue Cross	316,200	-	-	-	-	316,200	362,100
Due to other funds	33,216	230,000	-	-	-	263,216	442,211
Due to other governments	-	199,730	-	-	-	199,730	299,380
Accrued wages and benefits	1,260,212	111,606	205,051	15,926	-	1,592,795	1,693,234
Accrued interest	1,302,471	6,902	30,917	11,273	-	1,351,563	1,375,505
Other liabilities	849,523	228,487	-	-	-	1,078,010	1,396,192
Deferred revenue from third parties	716,912	-	-	-	-	716,912	808,692
Payable from restricted assets	-	-	426,362	-	-	426,362	50,489
	6,045,056	782,876	926,285	47,780	-	7,801,997	7,876,535
Debt:							
Notes payable	-	830,000	3,456,000	-	-	4,286,000	5,195,000
General obligation bonds payable	-	50,000	980,000	2,405,000	-	3,435,000	3,782,000
Hospital improvement bonds payable	1,010,000	-	-	-	-	1,010,000	1,140,000
Hospital improvement revenue bonds payable	35,186,766	-	-	-	-	35,186,766	35,448,437
Capital lease obligations	500,998	-	-	-	-	500,998	436,458
	36,697,764	880,000	4,436,000	2,405,000	-	44,418,764	46,001,895
Total liabilities	42,742,820	1,662,876	5,362,285	2,452,780	-	52,220,761	53,878,430
Contributed Capital and Retained Earnings:							
Contributed capital—City of Lakewood and others	-	1,656,143	16,168,731	1,696,118	31,983	19,552,975	19,656,165
Retained earnings (deficit):							
Reserved for restricted assets	2,723,275	-	564,431	-	-	3,287,706	3,944,625
Unreserved	30,678,592	375,590	3,712,628	(452,091)	20,093	34,334,812	31,724,532
	33,401,867	375,590	4,277,059	(452,091)	20,093	37,622,518	35,669,207
Total equity	33,401,867	2,031,733	20,445,790	1,244,027	52,076	57,175,493	55,325,372
Total liabilities and equity	$ 76,144,687	3,694,609	25,808,075	3,696,807	52,076	109,396,254	109,203,802

CITY OF LAKEWOOD, OHIO

Combining Statement of Revenues, Expenses and Changes in Retained Earnings (Deficit)--All Enterprise Funds

Year Ended December 31, 1985

(with comparative totals for 1984)

	Lakewood Hospital	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Totals 1985	Totals 1984
Operating revenues:							
Patient service revenue--net	$ 46,103,686	-	-	-	-	46,103,686	46,935,961
Other charges for services	-	3,692,491	2,303,280	627,627	-	6,623,398	5,957,829
Other operating revenue	407,272	1,862	1,021,579	4,268	8,100	1,443,081	1,503,912
Total operating Revenues	46,510,958	3,694,353	3,324,859	631,895	8,100	54,170,165	54,397,702
Operating expenses:							
Personal services	20,770,402	439,007	890,978	68,818	-	22,169,205	24,682,963
Benefit payments	5,221,622	116,983	224,802	28,808	-	5,592,215	5,825,653
Purchased water	-	2,045,545	-	-	-	2,045,545	2,096,070
Heat, light and power	1,412,117	13,775	266,042	51,165	1,730	1,744,829	1,582,742
Contractual services	3,232,054	5,369	123,416	108,162	-	3,469,001	3,137,332
Supplies and materials	6,436,046	109,174	278,062	28,172	-	6,851,454	7,307,700
Depreciation	3,078,826	57,905	834,576	91,190	490	4,062,987	3,322,163
Other	3,947,880	391,963	1,039,515	94,994	1,709	5,476,061	3,167,909
Total operating expenses	44,098,947	3,179,721	3,657,391	471,309	3,929	51,411,297	51,122,532
Operating income (loss)	2,412,011	514,632	(332,532)	160,586	4,171	2,758,868	3,275,170
Nonoperating revenues (expenses)							
Interest revenue and contributions	2,062,369	907	141,564	-	-	2,204,840	2,558,399
Interest expense and fiscal charges	(3,160,382)	(69,672)	(320,931)	(144,562)	-	(3,695,547)	(2,412,385)
Loss on sale of assets	-	-	-	-	-	-	(813,534)
Net nonoperating expenses	(1,098,013)	(68,765)	(179,367)	(144,562)	-	(1,490,707)	(667,520)
Net income (loss)	1,313,998	445,867	(511,899)	16,024	4,171	1,268,161	2,607,650
Residual equity transfer	-	-	-	-	-		(750,000)
Depreciation on fixed assets acquired by contributed capital--City of Lakewood and others	-	36,306	603,124	45,230	490	685,150	606,405
Increase in retained earnings	1,313,998	482,173	91,225	61,254	4,661	1,953,311	2,464,055
Retained earnings (deficit)--January 1	32,087,869	(106,583)	4,185,834	(513,345)	15,432	35,669,207	33,205,152
Retained earnings (deficit)--December 31	$ 33,401,867	375,590	4,277,059	(452,091)	20,093	37,622,518	35,669,207

CITY OF LAKEWOOD, OHIO

Combining Statement of Changes in Financial Position—All Enterprise Funds

Year Ended December 31, 1985

(with comparative totals for 1984)

	Lakewood Hospital	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Totals 1985	Totals 1984
Sources of working capital:							
Operations:							
Income (loss)	$ 1,313,998	445,867	(511,899)	16,024	4,171	1,268,161	2,607,650
Items not requiring (providing) working capital:							
Depreciation and amortization	3,244,737	57,905	834,576	91,190	490	4,228,898	3,325,492
Working capital provided (used) by operations	4,558,735	503,772	322,677	107,214	4,661	5,497,059	5,933,142
Proceeds of notes	-	830,000	3,456,000	-	-	4,286,000	245,000
Increase in contributed capital	-	581,960	-	-	-	581,960	712,317
Net increase in capital lease obligation	64,540	-	-	-	-	64,540	436,458
Decrease in other assets	470,324	-	-	-	-	470,324	7,636,469
Net increase in liabilities payable from restricted assets	-	-	375,873	-	-	375,873	-
Net decrease (increase) in restricted assets	-	-	465,774	-	-	465,774	718,070
Total sources of working capital	5,093,599	1,915,732	4,620,324	107,214	4,661	11,741,530	15,681,456
Uses of working capital:							
Residual equity transfer	-	-	-	-	-	-	750,000
Acquisition (disposal) of property, plant and equipment—net	4,437,826	642,638	280,819	-	-	5,361,283	11,535,216
Retirement of notes	-	1,050,000	4,145,000	-	-	5,195,000	1,100,000
Retirement of general obligation bonds	-	17,000	150,000	180,000	-	347,000	347,000
Retirement of hospital improvement bonds	130,000	-	-	-	-	130,000	130,000
Retirement of hospital improvement revenue bonds	261,671	-	-	-	-	261,671	10,000
Net increase in restricted assets	184,678	-	-	-	-	184,678	
Net decrease in liabilities payable from restricted assets	-	-	-	-	-	-	1,244,251
Decrease in deferred revenue	91,780	-	-	-	-	91,780	659,211
Total uses of working capital	5,105,955	1,709,638	4,575,819	180,000	-	11,571,412	15,775,678
Net increase (decrease) in working capital	$ (12,356)	206,094	44,505	(72,786)	4,661	170,118	(94,222)

(Continued)

CITY OF LAKEWOOD, OHIO

Combining Statement of Changes in Financial
Position--All Enterprise Funds

	Lakewood Hospital	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Totals 1985	Totals 1984
Elements of net increase (decrease) in working capital:							
Cash and cash equivalents	$(1,298,093)	222,789	204,263	(81,885)	3,242	(949,684)	(1,708,855)
Receivables (net of allowance for doubtful accounts)	(459,804)	6,143	12,395	-	-	(441,266)	1,811,377
Due from other funds	-	-	-	3,238	-	3,238	(97,295)
Due from other governments	-	-	-	-	-	-	(160,838)
Inventory of supplies	(37,252)	-	-	-	-	(37,252)	(57,161)
Prepaid expenses	84,659	(607)	(202)	-	-	83,850	4,622
Accounts payable	(502,438)	1,116	(157,299)	(6,659)	541	(664,739)	87,473
Due to/from third party payors (net)	1,408,863	-	-	-	-	1,408,863	(499,316)
Current financing advance--Blue Cross	45,900	-	-	-	-	45,900	32,000
Due to other funds	58,995	120,000	-	-	-	178,995	100,500
Due to other governments	-	92,055	-	6,717	878	99,650	(68,692)
Accrued wages and benefits	129,881	(9,342)	(25,059)	4,959	-	100,439	(77,433)
Accrued interest	10,264	2,427	10,407	844	-	23,942	104,639
Other liabilities	546,669	(228,487)	-	-	-	318,182	434,757
Net increase (decrease) in working capital	$ (12,356)	206,094	44,505	(72,786)	4,661	170,118	(94,222)

CITY OF LAKEWOOD, OHIO

Revenue Bond Coverage - Hospital Bonds

Last Ten Fiscal Years[1]

Fiscal Year	Gross[2] Revenue	Total Operating Expenses	Net Revenue Available for Debt Service[3]	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1976	$ 19,762,057	18,579,383	1,182,674	365,000	529,619	894,619	1.32
1977	21,831,373	20,526,079	1,305,294	365,000	506,156	871,156	1.50
1978	23,696,565	21,925,090	1,771,475	365,000	482,694	847,694	2.09
1979	26,636,982	24,867,725	1,769,257	365,000	459,231	824,231	2.15
1980	32,087,158	30,120,479	1,966,679	365,000	435,769	800,769	2.46
1981	40,627,826	37,458,836	3,168,990	365,000	414,456	779,456	4.07
1982	47,386,713	42,264,581	5,122,132	365,000	700,280	1,065,280	4.81
1983	48,716,075	44,108,852	4,607,223	188,750	969,420	1,158,170	3.98
1984	49,692,551	45,048,946	4,643,605	140,000	1,806,867	1,946,867	2.39
1985	48,573,327	44,098,947	4,474,380	395,000	3,160,382	3,555,382	1.26

[1] For the year ended December 31, 1981 the City presented for the first time general purpose financial statements by fund type and account group. Thus, they are not comparable to the cash basis financial statements presented in prior years.

[2] Gross Revenue is Total Operating Revenues plus Interest Revenue and contributions.

[3] Net Revenue available for debt service is equal to income before operating transfers.

City Of
Lakewood, Ohio

Comprehensive Annual Financial Report

Year Ending
December 31, 1986

miles, was incorporated as a village in 1889, became a City in 1911 and has an estimated population of 61,963 based on the U.S. Bureau of Census, 1980. The City, noted for its attractive Gold Coast, which features a number of luxury condominiums located on the shore of Lake Erie near the Northwest corner of the City, is bounded on the north by Lake Erie and to the south and west by other cities. It is served by the Norfolk Southern Railroad and Conrail and also by Cleveland-Hopkins International Airport.

The City provides general governmental services for the territory contained within its boundaries, including: police and fire protection, disposal of garbage and rubbish, water and sewer services, street maintenance, street construction and reconstruction and cultural park and recreational facilities. The City also offers extensive services for senior citizens.

The City owns and operates nine (9) parks with a total area of seventy acres and is contiguous to the Rocky River Reservation of the Cleveland Metropolitan Park District, a separate political subdivision conterminous with Cuyahoga County. The City also owns Winterhurst, which the City believes is one of the largest ice skating facilities of its type in the United States. The Kenneth C. Beck Center for the Cultural Arts is the home of the Lakewood Little Theater, a semi-professional dramatic group which provides year-round productions. The Lakewood Historical Society preserves the heritage of the City and operates in "The Old Stone House" which was built in 1838 and is located in Lakewood Park. The City also sponsors the annual Lakewood Arts Festival and weekly summer band concerts.

The City is served by Lakewood Hospital, a 410 bed acute care hospital, located in the center of the City. Lakewood Hospital admits approximately 9,300 patients annually, and employs approximately 960 employees with an annual payroll in excess of $20.5 million. Lakewood Hospital is owned by the City and operated by a Board of Trustees consisting of the Mayor, who serves as the President of the Board, one member of City Council who serves as Chairman of the Council's Hospital Committee, the City's Commissioner of Health, and fifteen members who are appointed by the Mayor with approval of Council. This Hospital has served the City since 1907.

On November 5, 1985, the Citizens of Lakewood approved a Charter Amendment, authorizing Lakewood City Council and the Lakewood Hospital Board of Trustees to enter into a lease agreement. The parties of the lease agreement would include the City of Lakewood and the Lakewood Hospital Association, a non-profit corporation organized for the charitable purpose of operating the Hospital and its related health care services. The purpose of the lease agreement is to insure the financial well being of Lakewood Hospital, continue existing services and develop new programs, thereby, continuing the services and traditions of Lakewood Hospital for generations to come. It is anticipated, at this time, that the effective date of the lease agreement will be July 4, 1987.

All funds and entities related to and controlled by the City of Lakewood are included in the CAFR. Criteria used to determine or evaluate the reporting entity is addressed in the Governmental Accounting and Reporting Standards of the Governmental Accounting Standards Board, and includes the exercise of oversight responsibility, significant influence over operations, the scope of public service and special financing relationships.

(1) Description of Reporting Entity, Basis of Presentation and Summary of Signigicant Accounting Policies

(a) Financial Reporting Entity

For financial reporting purposes, the City of Lakewood, Ohio (the "City") includes all funds, account groups, agencies, boards, commissions, and authorities over which the City exercises oversight responsibility. Oversight responsibility, as defined by the Governmental Accounting Standards Board, was determined on the basis of the City's ability to significantly influence operations, select the governing authority, and participate in fiscal management and scope of public service. This oversight responsibility was further determined by the City on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the City, obligation of the City to finance any deficits that may occur, or receipt of significant subsidies from the City. On this basis, the reporting entity of the City includes police and fire protection, waste collection, street maintenance, parks and recreation, municipal court, health and certain social services and general administration services. In addition the City owns and operates several enterprise activities, including a hospital, a water system, a local sewer system and parking facilities.

The following entities which are associated with the City and perform activities within the City's boundaries for the benefit of the City and/or its residents are excluded from the accompanying financial statements because the City exercises neither significant influence nor oversight responsibilities over their operations, and does not approve budgets, maintain accounting records, or provide funding. Further the City is not responsible for, nor involved, in the selection of the respective governing authorities or the designation of their management.

City of Lakewood School Board--an independent school system that provides education services to the community.

Community Development Corporation of Lakewood--performs Community Development Grant Program activities.

Lakewood Hospital Foundation, Inc.--contributes to and supports Lakewood Hospital.

Lakewood Public Library--makes available books, periodicals and reference materials to the general public.

(l) Patient Service Revenue--Net

Patient service revenue is recorded at Lakewood Hospital's established rates with contractual adjustments and charity allowances and a provision for uncollectible accounts deducted to arrive at net patient service revenue.

(m) Grants and Other Intergovernmental Revenues

Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. Federal reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditures/expenses are incurred. Amounts received in excess of expenditures/expenses are reflected as deferred revenue.

(n) Contributed Capital-Enterprise Funds

Contributed capital for the enterprise funds (excluding Lakewood Hospital) was estimated by assuming that as of January 1, 1981 the net fixed assets of such funds were acquired first through outstanding debt (less related restricted assets) and then through capital contributions of the City or others. Contributed capital is reduced annually by the amount of depreciation applicable to the fixed assets acquired through such capital contributions.

(o) Interfund Transactions

During the course of normal operations the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. Operating subsidies are recorded as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is based on the intent of the City at the time of the transactions.

(2) Changes in Fixed Assets in Service

A summary of changes in general fixed assets follows:

	Balance January 1, 1986	Additions	Deletions	Balance December 31, 1986
Land and land improvements	$ 2,463,390	145,875	-	2,609,265
Buildings, structures and improvements	7,044,927	115,714	-	7,160,641
Machinery and equipment	5,454,395	597,983	(415,042)	5,637,336
Construction in progress	-	418,180	-	418,180
	$ 14,962,712	1,277,752	(415,042)	15,825,422

(Continued)

(6) Debt and Other Long-Term Obligations

Debt of the City is as follows:

	Balance January 1, 1986	Additions	Reductions	Balance December 31, 1986
Capital Projects Fund:				
Notes payable				
5.79%, 1981 street resurfacing note	$ 70,000	-	(70,000)	-
4.50%, 1982 street resurfacing note	160,000	80,000	(160,000)	80,000
4.50%, 1983 street resurfacing note	450,000	300,000	(450,000)	300,000
4.50%, 1984 street resurfacing note	240,000	180,000	(240,000)	180,000
4.50%, 1985 street resurfacing note	700,000	560,000	(700,000)	560,000
4.50%, 1986 street resurfacing note	-	500,000	-	500,000
5.79%, 1984 Lake Avenue resurfacing note	320,000	240,000	(320,000)	240,000
5.79%, 1985 Warren Road resurfacing note	275,000	220,000	(275,000)	220,000
5.70%, 1984 fire truck improvement note	132,000	99,000	(132,000)	99,000
5.90%, 1985 traffic signal improvement note	160,000	128,000	(160,000)	128,000
4.50%, 1986 sidewalk improvement note	-	120,000	-	120,000
3.89%, 1986 Bunts Road resurfacing note	-	250,000	-	250,000
4.74%, 1986 Foster Pool improvement note	-	1,200,000	-	1,200,000
4.50%, 1986 sidewalk improvement note	-	180,000	-	180,000
Total Capital Projects Fund Debt	$ 2,507,000	4,057,000	(2,507,000)	4,057,000

(Continued)

	Balance January 1, 1986	Additions	Reductions	Balance December 31, 1986
General Long-Term Debt Account Group:				
8.875%, 1982 breakwall improvement bonds due through 1993	$ 175,000	-	(20,000)	155,000
8.75%, 1983 Waterford breakwall bonds due through 1994	85,000	-	(8,000)	77,000
8.25%, 1983 breakwall improvement bonds due through 1994	88,000	-	(10,000)	78,000
5.625%, 1978 air pollution equipment bonds due through 1998	520,000	-	(40,000)	480,000
5.625%, 1972 parking improvement bonds due through 1993	20,000	-	(3,000)	17,000
11.75%, 1981 recreational facilities bonds due through 1997	2,375,000	-	(155,000)	2,220,000
7%, 1983 refuse truck acquisition bonds due through 1988	600,000	-	(200,000)	400,000
Total General Long-term Debt	$ 3,863,000	-	(436,000)	3,427,000

(Continued)

	Balance January 1, 1986	Additions	Reductions	Balance December 31, 1986
Enterprise Funds:				
Notes payable:				
5.96%, 1981 sewer facilities improvement note	$ 3,340,000	2,740,000	(3,340,000)	2,740,000
5.96%, 1982 Cohasett water main note	200,000	150,000	(200,000)	150,000
5.96%, 1983 Olive water main note	550,000	400,000	(550,000)	400,000
5.96%, 1984 Parkside-McKinley water main note	80,000	60,000	(80,000)	60,000
5.70%, 1984 Motorized equipment note	116,000	87,000	(116,000)	87,000
	4,286,000	3,437,000	(4,286,000)	3,437,000
Hospital Improvement Bonds payable:				
5.375%, 1971 hospital improvement bonds due through 1991	240,000	-	(40,000)	200,000
4.75%, 1971 hospital improvement bond through 1994	770,000	-	(90,000)	680,000
	1,010,000	-	(130,000)	880,000
Hospital Improvement Revenue Bonds payable:				
5.75% to 9.875%, 1983 hospital improvement bonds due through 2014	31,445,000	-	(260,000)	31,185,000
Variable rate (6.00%) hospital improvement bonds due 2010	3,825,000	-	(20,000)	3,805,000
	35,270,000	-	(280,000)	34,990,000
Less unamortized bond discount	(83,234)	-	3,329	(79,905)
	35,186,766	-	(276,671)	34,910,095
General Obligation Bonds payable:				
3.25%, 1956 water main construction bonds due through 1987	20,000	-	(10,000)	10,000
3.75%, 1960 water main construction bonds due through 1990	30,000	-	(6,000)	24,000
4.75%, 1968 sewer plant improvement bonds due through 1991	780,000	-	(130,000)	650,000
5.625%, 1978 sewer construction bonds due through 1993	200,000	-	(25,000)	175,000
5.625%, 1978 parking garage construction bonds due through 1998	2,405,000	-	(185,000)	2,220,000
	3,435,000	-	(356,000)	3,079,000
Capital lease obligations	500,998	58,820	(140,389)	419,429
Total Enterprise Fund Debt	$ 44,418,764	3,495,820	(5,189,060)	42,725,524
Other long-term obligations are as follows:				
Accrued wages and benefits (accumulated unpaid employee benefits)	$ 1,753,555	269,214 (A)	-	2,022,769
Accumulated overtime	287,049	-	(64,741) (A)	222,308
Total other long-term obligations	$ 2,040,604	269,214	(64,741)	2,245,077

(A) Net change.

The balances of these funds at December 31, 1986, which are included in the accompanying financial statements as part of assets whose use is limited and are comprised primarily of cash and cash equivalents and government securities, are as follows:

Debt Service Fund	$ 1,602,707
Debt Service Reserve Fund	3,192,966
Depreciation Reserve Fund	846,466
Construction Fund	220,252
	$ 5,862,391

The estimated required payments into these funds from 1987 to 1991 are as follows:

1987	$ 3,290,000
1988	3,290,000
1989	3,290,000
1990	3,290,000
1991	3,290,000

During 1983, the Hospital completed a transaction for the purchase of a medical office building. Financing for this purchase was accomplished through the issuance by the City of $3,850,000 in Subordinated Hospital Improvement Revenue Bonds, Series 1983. The Bonds are dated to mature in 2010 with early redemption provisions available to the Hospital and bear interest at a floating rate established semiannually based upon prevailing interest rates at the time. The Bonds are secured by a letter of credit issued by National City Bank which extends until December 1, 1988. At December 31, 1986 there was no outstanding liability against the letter of credit for which the Hospital incurred $47,082 in commitment fees. According to the trust indenture between the City and the Trustee, if the letter of credit is not extended or an alternate letter of credit provided, the entire outstanding principal amount of the Bonds will be subject to mandatory redemption on November 1, 1988. The trust indenture between the City of Lakewood and the Trustee provides for the maintenance of a debt service fund from which all bond service charges are to be paid. The balance in this fund was $78,737 at December 31, 1986, and is included as part of assets whose use is limited.

Accumulated Overtime: Employees of the City accumulate deferred compensation for a portion of overtime hours worked based upon time and a half for Police and Fire department employees and straight time for other employees. The accumulated overtime hours worked and not paid (at current pay rates and converted to straight time hours) as of December 31, 1986 follow:

Department	Hours	Amount
Police	9,449	$ 140,688
Fire	6,074	67,915
Other	892	13,705
	16,415	$ 222,308

(Continued)

The Parking Facilities Fund is an enterprise fund established to account for the operations of the City's various parking facilities. The retained earnings deficit results from the prior year loss on sale of assets which is not expected to recur. The deficit will be financed by future operating income.

(8) Gain Contingency - Lakewood Hospital

On April 2, 1985, the Court of Common Pleas of the County of Cuyahoga, ruled in favor of Lakewood Hospital as a result of a lawsuit filed against Blue Cross and Blue Shield of Northern Ohio. A jury verdict returned on April 5, 1985 in the above court action awarded Lakewood Hospital $1,750,000 as compensatory damages and $2,500,000 as punitive damages.

On July 10, 1986, the Court of Appeals of Ohio, Eighth District, Cuyahoga County upheld the lower courts decision. However, since the Court of Appeals held that the Hospital's damages were not proven with reasonable certainty, the case was remanded to the trial court. Blue Cross and Blue Shield of Northern Ohio has appealed the decision to the Supreme Court of Ohio, and the Hospital has filed a cross appeal with respect to the Court of Appeal's ruling regarding damages.

The amount of damages, if any, resulting from the final settlement of this action will be reflected in the Hospital's financial statements at the time that the action is ultimately resolved. See also note 15 for status of Lakewood Hospital to the City of Lakewood. Litigation expenses are being recognized as an expense by the Hospital when incurred.

(9) Income Taxes

During 1986 the City levied income tax of 1.5% on substantially all income earned within the City. In addition, residents are required to pay city income tax on income earned outside the City; however, partial credit is allowed for income taxes paid to other municipalities.

(10) Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the City. The assessed value upon which the 1986 levy was based, was $451,672,861 (per the Cuyahoga County Auditor). Ohio law prohibits taxation of property from all taxing authorities in excess of 10 mills of assessed value without a vote of the people. Presently, the City levies 3.47 mills of the first 10 mills of assessed value. In addition to the 3.47 mills, 12.73 mills has been levied based upon mills voted for general operations, bond retirement, police and fire pensions, and sewage disposal. A summary of voted millage follows:

(12) Segment Information for Enterprise Funds

The City maintains five enterprise funds which provide hospital, water, sewer, parking and housing services. Information for the year ended December 31, 1986 for the five major enterprise funds is summarized as follows:

	Lakewood Hospital	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Total Enterprise Funds
Operating revenues	$ 50,686,051	3,934,366	2,481,486	763,463	8,814	57,874,180
Depreciation and amortization expense	3,618,216	62,155	845,543	93,010	490	4,619,414
Operating income (loss)	4,059,944	643,997	(189,425)	170,288	1,981	4,686,785
Tax revenues	-	-	928,538	-	-	928,538
Net income	2,639,206	614,694	604,923	40,897	1,981	3,901,701
Current capital contributions	-	100,000	160,121	-	-	260,121
Net additions to property, plant and equipment	2,575,053	214,413	644,320	12,131	-	3,445,917
Net working capital	5,268,949	163,744	(2,032,153)	(139,454)	22,564	3,283,650
Total identifiable assets	80,051,800	3,892,018	25,181,331	3,557,426	55,092	112,737,667
Bonds and other long-term liabilities payable from operating revenues	36,209,524	34,000	825,000	2,220,000	-	39,288,524
Total equity	36,041,073	2,746,427	21,210,834	1,284,925	54,057	61,337,316

(13) Assets Whose Use Is Limited - Enterprise Fund

Assets whose use is limited represent non-current accounts of Lakewood Hospital, consisting of cash and short-term investments held by Trustee under bond indenture agreement of $5,941,128 and short-term cash investments designated by the Board for the acquisition of capital equipment of $5,797,625.

(14) Other Assets - Enterprise Fund

Other assets represent non-current accounts of Lakewood Hospital, consisting of deferred receivables from advanced refunding of $2,220,572 and unamortized bond financing costs of $991,963. The deferred receivable from advanced refunding represents reimbursement which is expected to be received from third party payors for the advance refunding loss attributable to the issuance of the Hospital Improvement Revenue Bonds, Series 1983-A (See Note 6). Such reimbursement will be received approximately over the remaining life of the refunded debt.

(15) Status of Lakewood Hospital

In November 1985 the citizens of Lakewood approved passage of a charter amendment permitting the City to enter into an agreement to lease the Lakewood Hospital facility to the Lakewood Hospital Association (the Association), a not-for-profit corporation organized for the charitable purpose of operating Lakewood Hospital and its related health care facilities.

On January 5, 1987, the City Council approved a lease agreement which will also transfer all liabilities, debts, monies, accounts and inventories of the Hospital to the Association so that operations continue as in the past. The agreement is expected to become effective during 1987. Upon execution of the agreement, the Hospital Enterprise fund will no longer be included in the reporting entity of the City.

CITY OF LAKEWOOD, OHIO

Enterprise Funds

Combining Financial Statements

Enterprise funds are set up to account for the acquisition and operation of governmental facilities and services that are entirely or predominantly self-supporting from user charges. The City of Lakewood operates the following enterprise activities:

Lakewood Hospital Fund	To account for the health care services provided by the City owned and operated hospital.
Water Fund	To account for the provision of water distribution to the residents and commercial users of the City.
Sewer and Wastewater Fund	To account for sanitary sewer services provided to the residential and commercial users of the City.
Parking Facilities Fund	To account for off-street parking services provided by the City.
Congregational Living Facility	To account for residential accommodations for senior citizens provided by the City.

All activities necessary to provide the above services are accounted for in each particular fund including, but not limited to, administration, operations, maintenance, financing, related debt service, invoicing, and collection.

CITY OF LAKEWOOD, OHIO

Combining Balance Sheet—All Enterprise Funds

December 31, 1986

(with comparative totals for 1985)

	Lakewood Hospital	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Totals 1986	Totals 1985
Assets:							
Current assets:							
Cash and cash equivalents	$ 5,044,154	423,552	735,949	84,553	23,599	6,311,807	2,392,688
Receivables:							
Accounts	7,936,569	882,925	522,772	-	-	9,342,266	8,016,269
Other	218,245	5,032	18,991	1,725	-	243,993	238,210
Less: allowance for doubtful accounts	(1,099,849)	(20,174)	(11,950)	-	-	(1,131,973)	(927,400)
Receivables, net	7,054,965	867,783	529,813	1,725	-	8,454,286	7,327,079
Due from third-party payors	-	-	-	-	-	-	1,152,601
Due from other funds	75,412	-	-	11,769	-	87,181	95,781
Due from other governments	-	-	2,582	-	-	2,582	-
Inventory of supplies at cost	430,659	-	-	-	-	430,659	378,336
Prepaid expenses	442,725	-	-	-	-	442,725	219,797
Total current assets	13,047,915	1,291,335	1,268,344	98,047	23,599	15,729,240	11,566,282
Assets whose use is limited	11,738,753	-	-	-	-	11,738,753	10,132,209
Other assets	3,212,535	-	-	-	-	3,212,535	3,759,197
Restricted cash and cash equivalents	2,576,835	-	429,302	-	-	3,006,137	3,714,068
Fixed assets in service:							
Land and land improvements	1,167,307	-	515,507	269,139	21,980	1,973,933	1,513,909
Utility plant in service	-	3,858,992	22,281,488	-	-	26,140,480	25,945,758
Buildings, structures and improvements	56,011,070	-	-	4,361,294	24,406	60,396,770	59,644,720
Machinery and equipment	14,761,228	196,627	6,633,286	18,090	-	21,609,231	19,552,739
Less: accumulated depreciation	(22,591,026)	(1,454,936)	(5,946,596)	(1,189,144)	(14,893)	(31,196,595)	(26,577,181)
Fixed assets in service, net	49,348,579	2,600,683	23,483,685	3,459,379	31,493	78,923,819	80,079,945
Construction in progress	127,183	-	-	-	-	127,183	144,553
Total assets	$ 80,051,800	3,892,018	25,181,331	3,557,426	55,092	112,737,667	109,396,254

(Continued)

CITY OF LAKEWOOD, OHIO

Combining Balance Sheet--All Enterprise Funds

	Lakewood Hospital	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Totals 1986	Totals 1985
Liabilities:							
Current liabilities:							
Notes payable	$ -	610,000	2,827,000	-	-	3,437,000	4,286,000
Current portion of long-term debt	599,675	16,000	155,000	185,000	-	955,675	888,291
Accounts payable	1,873,251	195,816	70,712	3,416	338	2,143,533	1,857,209
Due to third party payors	1,111,625	-	-	-	-	1,111,625	-
Current financing advance--Blue Cross	215,900	-	-	-	-	215,900	316,200
Due to other funds	-	190,000	-	-	-	190,000	263,216
Due to other governments	-	-	-	14,218	697	14,915	199,730
Accrued wages and benefits	1,683,192	110,522	220,731	24,461	-	2,038,906	1,592,795
Accrued interest	1,282,533	5,253	27,054	10,406	-	1,325,246	1,351,563
Other liabilities	1,012,790	-	-	-	-	1,012,790	1,078,010
Total current liabilities	7,778,966	1,127,591	3,300,497	237,501	1,035	12,445,590	11,833,014
Deferred revenue from third parties	621,912	-	-	-	-	621,912	716,912
Payable from restricted assets	-	-	-	-	-	-	426,362
Debt, net of current maturities:							
General obligation bonds payable	-	18,000	670,000	2,035,000	-	2,723,000	3,079,000
Hospital improvement bonds payable	755,000	-	-	-	-	755,000	880,000
Hospital improvement revenue bonds payable	34,579,508	-	-	-	-	34,579,508	34,907,170
Capital lease obligations	275,341	-	-	-	-	275,341	378,303
Total debt, net of current maturities	35,609,849	18,000	670,000	2,035,000	-	38,332,849	39,244,473
Total liabilities	44,010,727	1,145,591	3,970,497	2,272,501	1,035	51,400,351	52,220,761
Fund equity:							
Contributed capital--City of Lakewood and others	-	1,712,645	15,708,223	1,648,870	31,493	19,101,231	19,552,975
Retained earnings (deficit):							
Reserved for restricted assets	2,576,835	-	429,302	-	-	3,006,137	3,287,706
Unreserved	33,464,238	1,033,782	5,073,309	(363,945)	22,564	39,229,948	34,334,812
	36,041,073	1,033,782	5,502,611	(363,945)	22,564	42,236,085	37,622,518
Total fund equity	36,041,073	2,746,427	21,210,834	1,284,925	54,057	61,337,316	57,175,493
Total liabilities and equity	$ 80,051,800	3,892,018	25,181,331	3,557,426	55,092	112,737,667	109,396,254

CITY OF LAKEWOOD, OHIO

Combining Statement of Revenues, Expenses and
Changes in Retained Earnings (Deficit)--All Enterprise Funds

Year Ended December 31, 1986

(with comparative totals for 1985)

	Lakewood Hospital	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Totals 1986	Totals 1985
Operating revenues:							
Patient service revenue--net	$ 50,366,711	-	-	-	-	50,366,711	46,103,686
Other charges for services	-	3,920,566	2,306,658	758,934	-	6,986,158	6,623,398
Other operating revenue	319,340	13,800	174,828	4,529	8,814	521,311	561,768
Total operating revenues	50,686,051	3,934,366	2,481,486	763,463	8,814	57,874,180	53,288,852
Operating expenses:							
Personal services	21,328,066	457,388	920,416	76,767	-	22,782,637	22,169,205
Benefit payments	5,477,861	102,797	228,597	25,698	-	5,834,953	5,592,215
Purchased water	-	2,322,815	-	-	-	2,322,815	2,045,545
Heat, light and power	1,407,125	13,491	277,675	47,423	2,776	1,748,490	1,744,829
Contractual services	3,837,314	-	23,983	114,429	-	3,975,726	3,469,001
Supplies and materials	7,414,645	87,245	327,145	129,014	-	7,958,049	6,851,454
Depreciation	3,413,857	62,155	845,543	93,010	490	4,415,055	4,062,987
Other	3,747,239	244,478	47,552	106,834	3,567	4,149,670	5,476,061
Total operating expenses	46,626,107	3,290,369	2,670,911	593,175	6,833	53,187,395	51,411,297
Operating income (loss)	4,059,944	643,997	(189,425)	170,288	1,981	4,686,785	1,877,555
Nonoperating revenues (expenses)							
Interest revenue	1,725,510	27,193	115,904	5,024	-	1,873,631	2,204,840
Interest expense and fiscal charges	(3,146,248)	(56,496)	(250,094)	(134,415)	-	(3,587,253)	(3,695,547)
Tax revenue	-	-	928,538	-	-	928,538	881,313
Net nonoperating expenses	(1,420,738)	(29,303)	794,348	(129,391)	-	(785,084)	(609,394)
Net income (loss)	2,639,206	614,694	604,923	40,897	1,981	3,901,701	1,268,161
Depreciation on fixed assets acquired by contributed capital--City of Lakewood and others	-	43,498	620,629	47,249	490	711,866	685,150
Increase in retained earnings	2,639,206	658,192	1,225,552	88,146	2,471	4,613,567	1,953,311
Retained earnings (deficit)--January 1	33,401,867	375,590	4,277,059	(452,091)	20,093	37,622,518	35,669,207
Retained earnings (deficit)--December 31	$ 36,041,073	1,033,782	5,502,611	(363,945)	22,564	42,236,085	37,622,518

CITY OF LAKEWOOD, OHIO

Combining Statement of Changes in Financial Position—All Enterprise Funds

Year Ended December 31, 1986

(with comparative totals for 1985)

	Lakewood Hospital	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Totals 1986	Totals 1985
Sources of working capital:							
Operations:							
Income (loss)	$ 2,639,206	614,694	604,923	40,897	1,981	3,901,701	1,268,161
Item not requiring working capital:							
Depreciation and amortization	3,618,216	62,155	845,543	93,010	490	4,619,414	4,228,898
Working capital provided by operations	6,257,422	676,849	1,450,466	133,907	2,471	8,521,115	5,497,059
Decrease in assets whose use is limited	–	–	–	–	–	–	132,048
Increase in contributed capital	–	100,000	160,121	–	–	260,121	581,960
Net increase in capital lease obligation	–	–	–	–	–	–	64,540
Decrease in other assets	546,662	–	–	–	–	546,662	338,276
Net increase in liabilities payable from restricted assets	–	–	–	–	–	–	375,873
Net decrease in restricted assets	146,440	–	561,491	–	–	707,931	465,774
Total sources of working capital	6,950,524	776,849	2,172,078	133,907	2,471	10,035,829	7,455,530
Uses of working capital:							
Investment in assets whose use is limited	1,606,544	–	–	–	–	1,606,544	–
Acquisition of property, plant and equipment	2,575,053	214,413	644,320	12,131	–	3,445,917	5,361,283
Reduction in general obligation bonds	–	16,000	155,000	185,000	–	356,000	347,000
Reduction in hospital improvement bonds	125,000	–	–	–	–	125,000	130,000
Reduction in hospital improvement revenue bonds	327,662	–	–	–	–	327,662	261,671
Net increase in restricted assets	–	–	–	–	–	–	184,678
Net decrease in liabilities payable from restricted assets	–	–	426,362	–	–	426,362	–
Decrease in deferred revenue	95,000	–	–	–	–	95,000	91,780
Net decrease in capital lease obligation	102,962	–	–	–	–	102,962	–
Total uses of working capital	4,832,221	230,413	1,225,682	197,131	–	6,485,447	6,376,412
Net increase (decrease) in working capital	$ 2,118,303	546,436	946,396	(63,224)	2,471	3,550,382	1,079,118

(Continued)

CITY OF LAKEWOOD, OHIO

Combining Statement of Changes in Financial Position—All Enterprise Funds

	Lakewood Hospital	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Totals 1986	Totals 1985
Elements of net increase (decrease) in working capital:							
Cash and cash equivalents	$ 3,791,979	(23,692)	123,542	23,784	3,506	3,919,119	(949,684)
Receivables (net of allowance for doubtful accounts)	1,046,793	68,843	9,846	1,725	-	1,127,207	(441,266)
Due from other funds	75,412	-	-	(84,012)	-	(8,600)	3,238
Due from other governments	-	-	2,582	-	-	2,582	-
Inventory of supplies	52,323	-	-	-	-	52,323	(37,252)
Prepaid expenses	222,928	-	-	-	-	222,928	83,850
Notes payable	-	220,000	629,000	-	-	849,000	909,000
Current portion of long-term debt	(67,384)	-	-	-	-	(67,384)	-
Accounts payable	(306,729)	(189,665)	193,243	17,165	(338)	(286,324)	(664,739)
Due to/from third party payors (net)	(2,264,226)	-	-	-	-	(2,264,226)	1,408,863
Current financing advance—Blue Cross	100,300	-	-	-	-	100,300	45,900
Due to other funds	33,216	40,000	-	(14,218)	-	58,998	178,995
Due to other governments	-	199,730	-	-	(697)	199,033	99,650
Accrued wages and benefits	(422,980)	1,084	(15,680)	(8,535)	-	(446,111)	100,439
Accrued interest	19,938	1,649	3,863	867	-	26,317	23,942
Other liabilities	(163,267)	228,487	-	-	-	65,220	318,182
Net increase (decrease) in working capital	$ 2,118,303	546,436	946,396	(63,224)	2,471	3,550,382	1,079,118

CITY OF LAKEWOOD, OHIO

Revenue Bond Coverage - Hospital Bonds

Last Ten Fiscal Years[1]

Fiscal Year	Gross[2] Revenue	Total Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage
1977	$ 21,831,373	20,526,079	1,305,294	365,000	506,156	871,156	1.50
1978	23,696,565	21,925,090	1,771,475	365,000	482,694	847,694	2.09
1979	26,636,982	24,867,725	1,769,257	365,000	459,231	824,231	2.15
1980	32,087,158	30,120,479	1,966,679	365,000	435,769	800,769	2.46
1981	40,627,826	37,458,836	3,168,990	365,000	414,456	779,456	4.07
1982	47,386,713	42,264,581	5,122,132	365,000	700,280	1,065,280	4.81
1983	48,716,075	44,108,852	4,607,223	188,750	969,420	1,158,170	3.98
1984	49,692,551	45,048,946	4,643,605	140,000	1,806,867	1,946,867	2.39
1985	48,573,327	44,098,947	4,474,380	395,000	3,160,382	3,555,382	1.26
1986	52,411,561	46,626,107	5,785,454	410,000	3,146,248	3,556,248	1.63

[1]For the year ended December 31, 1981 the City presented for the first time general purpose financial statements by fund type and account group. Thus, they are not comparable to the cash basis financial statements presented in prior years.

[2]Gross Revenue is Total Operating Revenues plus Interest Revenue and contributions.

LAKEWOOD OHIO

CITY OF LAKEWOOD, OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDING DECEMBER 31, 1987

miles, was incorporated as a village in 1889, became a City in 1911 and has an estimated population of 61,963 based on the U.S. Bureau of Census, 1980. The City, noted for its attractive Gold Coast, which features a number of luxury condominiums located on the shore of Lake Erie near the Northwest corner of the City, is bounded on the north by Lake Erie and to the south and west by other cities. It is served by the Norfolk Southern Railroad and Conrail and also by Cleveland-Hopkins International Airport.

The City provides general governmental services for the territory contained within its boundaries, including: police and fire protection, disposal of garbage and rubbish, water and sewer services, street maintenance, street construction and reconstruction and cultural park and recreational facilities. The City also offers extensive services for senior citizens.

The City owns and operates nine (9) parks with a total area of seventy acres and is contiguous to the Rocky River Reservation of the Cleveland Metropolitan Park District, a separate political subdivision conterminous with Cuyahoga County. The City also owns Winterhurst, which the City believes is one of the largest ice skating facilities of its type in the United States. The Kenneth C. Beck Center for the Cultural Arts is the home of the Lakewood Little Theater, a semi-professional dramatic group which provides year-round productions. The Lakewood Historical Society preserves the heritage of the City and operates in "The Old Stone House" which was built in 1838 and is located in Lakewood Park. The City also sponsors the annual Lakewood Arts Festival and weekly summer band concerts.

The City is served by Lakewood Hospital, a 410 bed acute care hospital, located in the center of the City. Lakewood Hospital admits approximately 9,100 patients annually, and employs approximately 997 employees with an annual payroll in excess of $23.0 million.

Prior to June 26, 1987, Lakewood Hospital (the Hospital) functioned as an operating unit of the City. On January 5, 1987, the City Council approved an agreement which resulted in the transfer of all real and personal property of the Hospital to the Lakewood Hospital Association (the Association), a not-for- profit corporation organized for the charitable purposes of operating the Hospital and its related health care facilities. The agreement became effective June 26, 1987 and resulted in the City transferring to the Association, all liabilities, debts, monies, accounts, and inventories of the Hospital, so that operations would continue as in the past.

All funds and entities related to and controlled by the City of Lakewood are included in the CAFR. Criteria used to determine or evaluate the reporting entity is addressed in the Governmental Accounting and Reporting Standards of the Governmental Accounting Standards Board, and includes the exercise of oversight responsibility, significant influence over operations, the scope of public service and special financing relationships.

GOVERNMENT ORGANIZATION

The City has adopted a Charter and operates under a Mayor-Council form of government pursuant to the Charter.

THE CITY'S RESULTS OF OPERATIONS

Comparison in Financial Position
(Amounts in Millions of Dollars)

	December 31, 1986	December 31, 1987	Percentage Increase (Decrease)
Fixed assets in service, at book value	$ 44.9	47.4	5.6%
Cash and investments	8.0	11.3	41.3
Accounts payable	.5	1.6	220.0
Total liabilities, including long-term debt	22.0	25.3	15.0
Total retained earnings in proprietary-type funds	6.2	7.9	27.4
Total fund equity	43.3	45.1	4.2

Comparative analysis of the financial position of the City of Lakewood for the years ending December 31, 1986 and 1987 reflects a favorable financial position after restating (for comparative purposes only) the information as of December 31, 1986 for the distribution of Lakewood Hospital recorded during 1987. The net increase in fixed assets is $2.5 million. Cash and investments increased $3.3 million or 41.3%. Total retained earnings of proprietary fund types increased $1.7 million. Overall, the City's financial condition remains strong, although specific funds must be analyzed before new conclusions have any meaning in an operational context.

ALL GOVERNMENTAL FUNDS

Comparison of Revenues - (Amounts in Millions)
1986-1987

	1986	1987	Percentage Increase (Decrease)
Revenues:			
Taxes	$ 16.197	16.607	2.53%
Licenses and permits	.162	.164	1.23
Intergovernmental revenues	6.254	4.769	(23.74)
Charges for services	.275	.077	(72.00)
Fines and forfeits	.859	.988	15.02
Special assessments	.221	.158	(28.51)
Interest	.434	.449	3.46
Miscellaneous revenues	1.047	.945	(9.74)
Total revenues	$ 25.449	24.157	(5.08)

	Carrying Amount	Market Value
Repurchase agreements	$ 2,460,000	2,457,926
FHLB and FHMB discount notes	5,296,117	5,324,949
Ohio Public Employees Deferred Compensation Program	1,082,241	1,082,241
Private Insurance Variable Annuity Contracts	1,319,304	1,319,304
	$ 10,157,662	10,184,420

(3) Changes in Fixed Assets in Service

A summary of changes in general fixed assets follows:

	Balance January 1, 1987	Additions	Deletions	Balance December 31, 1987
Land and land improvements	$ 2,609,265	1,524,883	-	4,134,148
Buildings, structures and improvements	7,160,641	252,985	-	7,413,626
Machinery and equipment	5,637,336	664,731	(71,067)	6,231,000
Construction in progress	418,180	-	(418,180)	-
	$ 15,825,422	2,442,599	(489,247)	17,778,774

A summary of changes in enterprise fund fixed assets follows:

	Balance January 1, 1987	Additions	Deletions	Distributions	Balance December 31, 1987
Land and land improvements	$ 1,973,933	193,704	-	(1,167,307)	1,000,330
Utility plant in service	26,140,480	773,632	-	-	26,914,112
Buildings, structures and improvements	60,396,770	372,643	-	(56,376,313)	4,393,100
Machinery and equipment	21,609,231	695,305	(4,590)	(15,348,625)	6,951,321
Construction in progress	127,183	-	(127,183)	-	-
	$ 110,247,597	2,035,284	(131,773)	(72,892,245)	39,258,863

(Continued)

(4) Interfund Receivables and Payables

The following balances at December 31, 1987 represent individual fund interfund receivables and payables:

Fund	Interfund Receivables	Interfund Payables
General fund	$ 191,105	67,002
Special revenue funds:		
Police and Fire pension	-	40,999
Community Development Block Grant	-	61,105
Debt service fund	347,871	500,000
Capital projects fund	23,816	154,267
Enterprise funds:		
Water	4,672	90,000
Wastewater	-	541
Parking facilities	346,450	-
	$ 913,914	913,914

(5) Pension and Retirement Plans

All employees of the City of Lakewood, with the exclusion of uniformed city police and fire employees, are required to be members of the Public Employees Retirement System of Ohio ("PERS"); a cost-sharing, multiple-employer public employee retirement system. However, those individuals working less than 20 hours per week or students working less than 1,500 hours per calendar year have an option to exclude themselves from membership. All uniformed city police and fire employees are required to be members of the Police and Firemen's Disability and Pension Fund ("PFDPF"); also, a cost-sharing, multiple-employer public employee retirement system. The payroll for employees covered by PERS for the year ended December 31, 1987 was $8,282,790, the payroll for uniformed city police and firemen covered by PFDPF for the year ended December 31, 1987 was $4,815,673; the City's total payroll was $13,939,376.

All City full time employees are eligible, with the exception of uniformed city police and fire employees, to participate in PERS. Employees may retire at or after age 60 with 5 years of credited service; they are entitled to a retirement benefit, payable monthly for life, equal to 2.1 percent of their final average salary for each year of credited service. Final average salary is the employee's average salary over the highest 3 years of earnings. Benefits fully vest upon reaching 5 years of service. Employees may retire at any age, with 30 years of service, at age 60 with a minimum of 5 years of credited service and at 55 with a minimum of 25 years of service. Those individuals retiring with less than 30 years of service or less than age 65 receive reduced retirement benefits. Benefits are established by state statute.

(Continued)

(4) Interfund Receivables and Payables

The following balances at December 31, 1987 represent individual fund interfund receivables and payables:

Fund	Interfund Receivables	Interfund Payables
General fund	$ 191,105	67,002
Special revenue funds:		
Police and Fire pension	-	40,999
Community Development Block Grant	-	61,105
Debt service fund	347,871	500,000
Capital projects fund	23,816	154,267
Enterprise funds:		
Water	4,672	90,000
Wastewater	-	541
Parking facilities	346,450	-
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(7) Debt and Other Long-Term Obligations

Debt of the City is as follows:

	Balance January 1, 1987	Additions	Reductions	Balance December 31, 1987
Capital Projects Fund:				
Notes payable				
5.11%, 1982 street resurfacing note	$ 80,000	-	80,000	-
5.11%, 1983 street resurfacing note	300,000	150,000	300,000	150,000
5.11%, 1984 street resurfacing note	180,000	120,000	180,000	120,000
5.11%, 1985 street resurfacing note	560,000	420,000	560,000	420,000
5.11%, 1986 street resurfacing note	500,000	400,000	500,000	400,000
5.11%, 1987 street resurfacing note	-	600,000	-	600,000
5.11%, 1984 Lake Avenue resurfacing note	240,000	160,000	240,000	160,000
5.11%, 1985 Warren Road resurfacing note	220,000	165,000	220,000	165,000
4.94%, 1984 fire truck improvement note	99,000	66,000	99,000	66,000
4.94%, 1985 traffic signal improvement note	128,000	96,000	128,000	96,000
5.11%, 1986 sidewalk improvement note	120,000	96,000	120,000	96,000
5.11%, 1986 Bunts Road resurfacing note	250,000	200,000	250,000	200,000
4.94%, 1986 Foster Pool improvement note	1,200,000	1,140,000	1,200,000	1,140,000
5.11%, 1986 sidewalk improvement note	180,000	144,000	180,000	144,000
5.66%, 1987 park improvements note	-	120,000	-	120,000
Total Capital Projects Fund Debt	$ 4,057,000	3,877,000	4,057,000	3,877,000

(Continued)

	Balance January 1, 1987	Additions	Reductions	Balance December 31, 1987
General Long-Term Debt Account Group:				
8.875%, 1982 breakwall improvement bonds due through 1993	$ 155,000	-	20,000	135,000
8.75%, 1983 Waterford breakwall bonds due through 1994	77,000	-	9,000	68,000
8.25%, 1983 breakwall improvement bonds due through 1994	78,000	-	10,000	68,000
Special assessment bonds payable	310,000	-	39,000	271,000
5.625%, 1978 air pollution equipment bonds due through 1998	480,000	-	40,000	440,000
5.625%, 1972 parking improvement bonds due through 1993	17,000	-	2,000	15,000
11.75%, 1981 recreational facilities bonds due through 2000	2,220,000	-	155,000	2,065,000
7%, 1983 refuse truck acquisition bonds due through 1988	400,000	-	200,000	200,000
General obligation bonds payable	$ 3,117,000	-	397,000	2,720,000
Total General Long-term Debt	$ 3,427,000	-	436,000	2,991,000

(Continued)

	Balance January 1, 1987	Additions	Reductions	Balance December 31, 1987
Enterprise Funds:				
Notes payable:				
4.94%, 1981 sewer facilities improvement note	$ 2,740,000	2,140,000	2,740,000	2,140,000
6.12%, 1987 sewer facilities improvement note	-	800,000	-	800,000
4.94%, 1982 Cohasett water main note	150,000	100,000	150,000	100,000
4.94%, 1983 Olive water main note	400,000	250,000	400,000	250,000
4.94%, 1984 Parkside-McKinley water main note	60,000	40,000	60,000	40,000
4.94%, 1984 Motorized equipment note	87,000	58,000	87,000	58,000
5.66%, 1987 Parking facilities improvement note	-	330,000	-	330,000
	3,437,000	3,718,000	3,437,000	3,718,000
Hospital Improvement Bonds payable:				
5.375%, 1971 hospital improvement bonds due through 1991	200,000	-	(200,000)	-
4.75%, 1971 hospital improvement bond through 1994	680,000	-	(680,000)	-
	880,000	-	(880,000)	-
Hospital Improvement Revenue Bonds payable:				
5.75% to 9.875%, 1983 hospital improvement bonds due through 2014	31,185,000	-	(31,185,000)	-
Variable rate (6.00%) hospital improvement bonds due 2010	3,805,000	-	(3,805,000)	-
	34,990,000	-	(34,990,000)	-
Less unamortized bond discount	(79,905)	-	79,905	-
	34,910,095	-	(34,910,095)	-
General Obligation Bonds payable:				
3.25%, 1956 water main construction bonds due through 1987	10,000	-	10,000	-
3.75%, 1960 water main construction bonds due through 1990	24,000	-	6,000	18,000
4.75%, 1968 sewer plant improvement bonds due through 1991	650,000	-	130,000	520,000
5.625%, 1978 sewer construction bonds due through 1993	175,000	-	25,000	150,000
5.625%, 1978 parking garage construction bonds due through 1998	2,220,000	-	185,000	2,035,000
6.25%, 1987 water main construction bonds due through 1997	-	1,200,000	-	1,200,000
	3,079,000	1,200,000	356,000	3,923,000
Capital lease obligations	419,429	-	(419,429)	-
Total Enterprise Fund Debt	$ 42,725,524	4,918,000	40,002,524	7,641,000
Other long-term obligations are as follows:				
Accrued wages and benefits (accumulated unpaid employee benefits)	$ 2,022,769	56,722 (A)	-	2,079,491
Accumulated overtime	222,308	86,102 (A)	-	308,410
Total other long-term obligations	$ 2,245,077	142,824	-	2,387,901

(A) Net change.

(Continued)

(12) Segment Information for Enterprise Funds

The City currently maintains four enterprise funds (see note 13 relative to Lakewood Hospital) which provide water, sewer, parking and housing services. Information for the year ended December 31, 1987 for the enterprise funds is summarized as follows:

	Lakewood Hospital	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Total Enterprise Funds
Operating revenues	$ 25,742,594	5,029,223	2,318,712	810,147	8,100	33,908,776
Depreciation and amortization expense	1,756,552	66,726	860,518	94,857	490	2,779,143
Operating income (loss)	2,464,444	880,572	(1,294,036)	271,029	(4,046)	2,317,963
Tax revenues	-	-	928,583	-	-	928,583
Net income	1,796,290	900,359	(424,459)	280,015	(2,810)	2,549,395
Current capital contributions	-	-	-	208,587	-	208,587
Net additions to property, plant and equipment	825,457	700,803	165,855	215,988	-	(1,908,103)
Distribution of property, plant and equipment, net	50,301,219	-	-	-	-	50,301,219
Distribution of working capital	39,593,915	-	-	-	-	39,593,915
Net working capital (deficit)	-	1,504,026	(2,590,443)	43,017	20,244	(1,023,156)
Total identifiable assets	-	6,104,439	25,316,110	4,235,089	53,010	35,708,648
Bonds and other long-term liabilities payable from operating revenues	-	1,218,000	670,000	2,035,000	-	3,923,000
Total equity	-	3,646,786	20,786,375	1,773,526	51,247	26,257,934

(13) Lakewood Hospital

Prior to June 26, 1987, Lakewood Hospital (the Hospital) functioned as an operating unit of the City. On January 5, 1987, the City Council of Lakewood, Ohio approved an agreement which resulted in the transfer of all real and personal property of the Hospital to the Lakewood Hospital Association (the Association), a not-for-profit corporation organized for the charitable purpose of operating Lakewood Hospital and its related health care facilities. The agreement became effective June 26, 1987.

In connection with the agreement, the City transferred to the Association all liabilities, debts, monies, accounts and inventories of the Hospital, so that operations would continue as in the past. The term of the agreement is 25 years. Provisions to renew the agreement are also available. At the end of the term, the real and personal property of the Hospital and all monies, accounts and inventories then held by the Association shall be returned to the City. As part of the agreement, the Association has agreed to pay in each year the amount necessary to satisfy debt service on the Hospital's outstanding debt.

The accompanying financial statements reflect the operations of the hospital through June 25, 1987. It is not included in the reporting entity subsequent thereto, since (1) the City excercises no control over the budget adoption or other fiscal activities of the Hospital unless the Hospital violates provisions of the agreement with the City and (2) of the twenty one members of the Governing Board of the Association, two

CITY OF LAKEWOOD, OHIO

Enterprise Funds

Combining Financial Statements

Enterprise funds are set up to account for the acquisition and operation of governmental facilities and services that are entirely or predominantly self-supporting from user charges. The City of Lakewood operates the following enterprise activities:

Water Fund	To account for the provision of water distribution to the residents and commercial users of the City.
Sewer and Wastewater Fund	To account for sanitary sewer services provided to the residential and commercial users of the City.
Parking Facilities Fund	To account for off-street parking services provided by the City.
Congregational Living Facility	To account for residential accommodations for senior citizens provided by the City.

All activities necessary to provide the above services are accounted for in each particular fund including, but not limited to, administration, operations, maintenance, financing, related debt service, invoicing, and collection.

CITY OF LAKEWOOD, OHIO

Combining Balance Sheet—All Enterprise Funds

December 31, 1987

(with comparative totals for 1986)

					Totals			
					1987	1986		
	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility		As Historically Reported	Less Lakewood Hospital	Pro-forma
Assets:								
Current assets:								
Cash and cash equivalents	$ 1,708,383	901,000	308,130	22,007	2,939,520	6,311,807	5,044,154	1,267,653
Receivables:								
Accounts	1,189,778	535,942	-	-	1,725,720	9,342,266	7,936,569	1,405,697
Other	-	-	-	-	-	243,993	218,245	25,748
Less: allowance for doubtful accounts	(33,154)	(15,147)	-	-	(48,301)	(1,131,973)	(1,099,849)	(32,124)
Receivables, net	1,156,624	520,795	-	-	1,677,419	8,454,286	7,054,965	1,399,321
Due from other funds	4,672	-	346,450	-	351,122	87,181	75,412	11,769
Due from other governments	-	2,497	-	-	2,497	2,582	-	2,582
Inventory of supplies at cost	-	-	-	-	-	430,659	430,659	-
Prepaid expenses	-	-	-	-	-	442,725	442,725	-
Total current assets	2,869,679	1,424,292	654,580	22,007	4,970,558	15,729,240	13,047,915	2,681,325
Assets whose use is limited	-	-	-	-	-	11,738,753	11,738,753	-
Other assets	-	-	-	-	-	3,212,535	3,212,535	-
Restricted cash and cash equivalents	-	1,102,796	-	-	1,102,796	3,006,137	2,576,835	429,302
Fixed assets in service:								
Land and land improvements	-	515,507	462,843	21,980	1,000,330	1,973,933	1,167,307	806,626
Utility plant in service	4,531,807	22,382,305	-	-	26,914,112	26,140,480	-	26,140,480
Buildings, structures and improvements	-	-	4,368,694	24,406	4,393,100	60,396,770	56,011,070	4,385,700
Machinery and equipment	224,615	6,693,733	32,973	-	6,951,321	21,609,231	14,761,228	6,848,003
Less: accumulated depreciation	(1,521,662)	(6,802,523)	(1,284,001)	(15,383)	(9,623,569)	(31,196,595)	(22,591,026)	(8,605,569)
Fixed assets in service, net	3,234,760	22,789,022	3,580,509	31,003	29,635,294	78,923,819	49,348,579	29,575,240
Construction in progress	-	-	-	-	-	127,183	127,183	-
Total assets	$ 6,104,439	25,316,110	4,235,089	53,010	35,708,648	112,737,667	80,051,800	32,685,867

NOTE: In order to make meaningful comparisons, the accounts of Lakewood Hospital have been removed from the above 1986 comparative totals. See Note 13 of the notes to combined financial statements.

(Continued)

CITY OF LAKEWOOD, OHIO

Combining Balance Sheet—All Enterprise Funds

	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Totals 1987	Totals 1986 As Historically Reported	Totals 1986 Less Lakewood Hospital	Totals 1986 Pro-forma
Liabilities:								
Current liabilities:								
Notes payable	$ 390,000	2,998,000	330,000	-	3,718,000	3,437,000	-	3,437,000
Current portion of long-term debt	126,000	155,000	185,000	-	466,000	955,675	599,675	356,000
Accounts payable	134,697	573,436	31,243	204	739,580	2,143,533	1,873,251	270,282
Due to third party payors	-	-	-	-	-	1,111,625	1,111,625	-
Current financing advance—Blue Cross	-	-	-	-	-	215,900	215,900	-
Due to other funds	90,000	541	-	-	90,541	190,000	-	190,000
Due to other governments	269,247	-	31,114	1,559	301,920	14,915	-	14,915
Accrued wages and benefits	115,983	235,772	23,663	-	375,418	2,038,906	1,683,192	355,714
Accrued interest	13,215	51,986	10,543	-	75,744	1,325,246	1,282,533	42,713
Other liabilities	226,511	-	-	-	226,511	1,012,790	1,012,790	-
Total current liabilities	1,365,653	4,014,735	611,563	1,763	5,993,714	12,445,590	7,778,966	4,666,624
Deferred revenue from third parties	-	-	-	-	-	621,912	621,912	-
Debt, net of current maturities:								
General obligation bonds payable	1,092,000	515,000	1,850,000	-	3,457,000	2,723,000	-	2,723,000
Hospital improvement bonds payable	-	-	-	-	-	755,000	755,000	-
Hospital improvement revenue bonds payable	-	-	-	-	-	34,579,508	34,579,508	-
Capital lease obligations	-	-	-	-	-	275,341	275,341	-
Total debt, net of current maturities	1,092,000	515,000	1,850,000	-	3,457,000	38,332,849	35,609,849	2,723,000
Total liabilities	2,457,653	4,529,735	2,461,563	1,763	9,450,714	51,400,351	44,010,727	7,389,624
Fund equity:								
Contributed capital—City of Lakewood and others	1,671,142	15,064,556	1,806,802	31,003	18,573,503	19,101,231	-	19,101,231
Retained earnings (deficit):								
Reserved for restricted assets	-	1,102,796	-	-	1,102,796	3,006,137	2,576,835	429,302
Unreserved	1,975,644	4,619,023	(33,276)	20,244	6,581,635	39,229,948	33,464,238	5,765,710
	1,975,644	5,721,819	(33,276)	20,244	7,684,431	42,236,085	36,041,073	6,195,012
Total fund equity	3,646,786	20,786,375	1,773,526	51,247	26,257,934	61,337,316	36,041,073	25,296,243
Total liabilities and equity	$ 6,104,439	25,316,110	4,235,089	53,010	35,708,648	112,737,667	80,051,800	32,685,867

CITY OF LAKEWOOD, OHIO

Combining Statement of Revenues, Expenses and Changes in Retained Earnings (Deficit)--All Enterprise Funds

Year Ended December 31, 1987

(with comparative totals for 1986)

	Lakewood Hospital	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Totals 1987 As Reported	Totals 1987 Pro Forma (Less Lakewood Hospital)	Totals 1986 As Historically Reported	Totals 1986 Less Lakewood Hospital	Totals 1986 Pro Forma
Operating revenues:										
Patient service revenue--net	$ 25,375,223	-	-	-	-	25,375,223	-	50,366,711	50,366,711	-
Other charges for services	-	5,003,074	2,285,642	804,652	-	8,093,368	8,093,368	6,986,158	-	6,986,158
Other operating revenue	367,371	26,149	33,070	5,495	8,100	440,185	72,814	521,311	319,340	201,971
Total operating revenues	25,742,594	5,029,223	2,318,712	810,147	8,100	33,908,776	8,166,182	57,874,180	50,686,051	7,188,129
Operating expenses:										
Personal services	10,614,727	478,662	1,005,129	101,702	-	12,200,220	1,585,493	22,782,637	21,328,066	1,454,571
Benefit payments	2,677,823	127,470	285,836	5,538	-	3,096,667	418,844	5,834,953	5,477,861	357,092
Purchased water	-	3,134,928	-	-	-	3,134,928	3,134,928	2,322,815	-	2,322,815
Heat, light and power	609,000	13,909	271,833	53,253	2,126	950,121	341,121	1,748,490	1,407,125	341,365
Contractual services	1,938,985	9,903	50,037	133,186	-	2,132,111	193,126	3,975,726	3,837,314	138,412
Supplies and materials	3,885,270	105,872	314,963	33,412	702	4,340,219	454,949	7,958,049	7,414,645	543,404
Depreciation	1,733,796	66,726	860,518	94,857	490	2,756,387	1,022,591	4,415,055	3,413,857	1,001,198
Other	1,818,549	211,181	824,432	117,170	8,828	2,980,160	1,161,611	4,149,670	3,747,239	402,431
Total operating expenses	23,278,150	4,148,651	3,612,748	539,118	12,146	31,590,813	8,312,663	53,187,395	46,626,107	6,561,288
Operating income (loss)	2,464,444	880,572	(1,294,036)	271,029	(4,046)	2,317,963	(146,481)	4,686,785	4,059,944	626,841
Nonoperating revenues (expenses)										
Interest revenue	842,212	93,088	102,257	19,346	1,236	1,058,139	215,927	1,873,631	1,725,510	148,121
Interest expense and fiscal charges	(1,510,366)	(73,301)	(161,263)	(125,012)	-	(1,869,942)	(359,576)	(3,587,253)	(3,146,248)	(441,005)
Gain on sale of fixed assets	-	-	-	114,652	-	114,652	114,652	-	-	-
Tax revenue	-	-	928,583	-	-	928,583	928,583	928,538	-	928,538
Net nonoperating expenses	(668,154)	19,787	869,577	8,986	1,236	231,432	899,586	(785,084)	(1,420,738)	635,654
Net income (loss)	1,796,290	900,359	(424,459)	280,015	(2,810)	2,549,395	753,105	3,901,701	2,639,206	1,262,495
Depreciation on fixed assets acquired by contributed capital--City of Lakewood and others	-	41,503	643,667	50,654	490	736,314	736,314	711,866	-	711,866
Increase in retained earnings	1,796,290	941,862	219,208	330,669	(2,320)	3,285,709	1,489,419	4,613,567	2,639,206	1,974,361
Retained earnings (deficit)--January 1	36,041,073	1,033,782	5,502,611	(363,945)	22,564	42,236,085	6,195,012	37,622,518	33,401,867	4,220,651
Distribution of fund balance (note 13)	(37,837,363)	-	-	-	-	(37,837,363)	-	-	-	-
Retained earnings (deficit)--December 31	$ -	1,975,644	5,721,819	(33,276)	20,244	7,684,431	7,684,431	42,236,085	36,041,073	6,195,012

NOTE: Lakewood Hospital is included above for the period from January 1, 1987 to June 25, 1987. The totals for 1986 include the results of operations of the Hospital for the entire year. For comparative analytical purposes, the 1987 and 1986 totals eliminate the results of operations of Lakewood Hospital. See Note 13 of notes to combined financial statements.

CITY OF LAKEWOOD, OHIO

Combining Statement of Changes in Financial Position--All Enterprise Funds

Year Ended December 31, 1987

(with comparative totals for 1986)

	Lakewood Hospital	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Totals 1987 As Reported	Totals 1987 Pro Forma (Less Lakewood Hospital)	Totals 1986 As Historically Reported	Totals 1986 Less Lakewood Hospital	Totals 1986 Pro Forma
Sources of working capital:										
Operations:										
Income (loss)	$ 1,796,290	900,359	(424,459)	280,015	(2,810)	2,549,395	753,105	3,901,701	2,639,206	1,262,495
Item not requiring working capital:										
Depreciation and amortization	1,756,552	66,726	860,518	94,857	490	2,779,143	1,022,591	4,619,414	3,618,216	1,001,198
Working capital provided by operations	3,552,842	967,085	436,059	374,872	(2,320)	5,328,538	1,775,696	8,521,115	6,257,422	2,263,693
Decrease in assets whose use is limited	11,738,753	-	-	-	-	11,738,753	-	-	-	-
Increase in contributed capital	-	-	-	208,587	-	208,587	208,587	260,121	-	260,121
Net increase in general obligation bonds	-	1,090,000	-	-	-	1,090,000	1,090,000	-	-	-
Decrease in other assets	3,212,535	-	-	-	-	3,212,535	-	546,662	546,662	-
Net decrease in restricted assets	2,576,835	-	-	-	-	2,576,835	-	707,931	146,440	561,491
Total sources of working capital	21,080,965	2,057,085	436,059	583,459	(2,320)	24,155,248	3,074,283	10,035,829	6,950,524	3,085,305
Uses of working capital:										
Investment in assets whose use is limited	-	-	-	-	-	-	-	1,606,544	1,606,544	-
Acquisition of property, plant and equipment, net	825,457	700,803	165,855	215,988	-	1,908,103	1,082,646	3,445,917	2,575,053	870,864
Distribution of property plant and equipment, net	(50,301,219)	-	-	-	-	(50,301,219)	-	-	-	-
Reduction in general obligation bonds	-	16,000	155,000	185,000	-	356,000	356,000	356,000	-	356,000
Reduction in hospital improvement bonds	755,000	-	-	-	-	755,000	-	125,000	125,000	-
Reduction in hospital improvement revenue bonds	34,579,508	-	-	-	-	34,579,508	-	327,662	327,662	-
Net increase in restricted assets	-	-	673,494	-	-	673,494	673,494	-	-	-
Net decrease in liabilities payable from restricted assets	-	-	-	-	-	-	-	426,362	-	426,362
Decrease in deferred revenue	621,912	-	-	-	-	621,912	-	95,000	95,000	-
Net decrease in capital lease obligation	275,341	-	-	-	-	275,341	-	102,962	102,962	-
Net distribution of working capital	39,593,915	-	-	-	-	39,593,915	-	-	-	-
Total uses of working capital	26,349,914	716,803	994,349	400,988	-	28,462,054	2,112,140	6,485,447	4,832,221	1,653,226
Net increase (decrease) in working capital	$ (5,268,949)	1,340,282	(558,290)	182,471	(2,320)	(4,306,806)	962,143	3,550,382	2,118,303	1,432,079

(Continued)

NOTE: Lakewood Hospital is included above for the period from January 1, 1987 to June 25, 1987. The totals for 1986 include the changes in financial position of the Hospital for the entire year. For comparative analytical purposes, the 1987 and 1986 totals eliminate the changes in financial position of the Hospital. See Note 13 of notes to financial position.

CITY OF LAKEWOOD, OHIO

Combining Statement of Changes in Financial Position—All Enterprise Funds

	Lakewood Hospital	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	1987 As Reported	1987 Pro Forma (Less Lakewood Hospital)	1986 As Historically Reported	1986 Less Lakewood Hospital	1986 Pro Forma
Elements of net increase (decrease) in working capital:										
Cash and cash equivalents	$ (5,044,154)	1,284,831	165,051	223,577	(1,592)	(3,372,287)	1,671,867	3,919,119	3,791,979	127,140
Receivables (net of allowance for doubtful accounts)	(7,054,965)	288,841	(9,018)	(1,725)	-	(6,776,867)	278,098	1,127,207	1,046,793	80,414
Due from other funds	(75,412)	4,672	-	334,681	-	263,941	339,353	(8,600)	75,412	(84,012)
Due from other governments	-	-	(85)	-	-	(85)	(85)	2,582	-	2,582
Inventory of supplies	(430,659)	-	-	-	-	(430,659)	-	52,323	52,323	-
Prepaid expenses	(442,725)	-	-	-	-	(442,725)	-	222,928	222,928	-
Notes payable	-	220,000	(171,000)	(330,000)	-	(281,000)	(281,000)	849,000	-	849,000
Current portion of long-term debt	599,675	(110,000)	-	-	-	489,675	(110,000)	(67,384)	(67,384)	-
Accounts payable	1,873,251	61,119	(502,724)	(27,827)	134	1,403,953	(469,298)	(286,324)	(306,729)	20,405
Due to/from third party payors (net)	1,111,625	-	-	-	-	1,111,625	-	(2,264,226)	(2,264,226)	-
Current financing advance—Blue Cross	215,900	-	-	-	-	215,900	-	100,300	100,300	-
Due to other funds	-	100,000	(541)	-	-	99,459	99,459	58,998	33,216	25,782
Due to other governments	-	(269,247)	-	(16,896)	(862)	(287,005)	(287,005)	199,033	-	199,033
Accrued wages and benefits	1,683,192	(5,461)	(15,041)	798	-	1,663,488	(19,704)	(446,111)	(422,980)	(23,131)
Accrued interest	1,282,533	(7,962)	(24,932)	(137)	-	1,249,502	(33,031)	26,317	19,938	6,379
Other liabilities	1,012,790	(226,511)	-	-	-	786,279	(226,511)	65,220	(163,267)	228,487
Net increase (decrease) in working capital	$ (5,268,949)	1,340,282	(558,290)	182,471	(2,320)	(4,306,806)	962,143	3,550,382	2,118,303	1,432,079

City Of
Lakewood, Ohio

Comprehensive Annual
Financial Report

Year Ending
December 31, 1988

All funds and entities related to and controlled by the City of Lakewood are included in the CAFR. Criteria used to determine or evaluate the reporting entity is addressed in the Government Accounting and Reporting Standards of the Government Accounting Standards Board, and includes the exercise of oversight responsibility, significant influence over operations, the scope of public service and special financial relationships.

SUMMARY OF CITY SERVICES

The City provides general governmental services for the territory contained within its boundaries, including: police and fire protection, disposal of garbage and rubbish, water and sewer services, street maintenance, street construction and reconstruction and cultural park and recreational facilities. The City also offers extensive services for senior citizens.

The City owns and operates nine (9) parks with a total area of seventy acres and is contiguous to the Rocky River Reservation of the Cleveland Metropolitan Park District. The City also owns Winterhurst, which the City believes is one of the largest ice skating facilities of its type in the United States. The Kenneth C. Beck Center for the Cultural Arts is the home of the Lakewood Little Theater, a semi-professional dramatic group which provides year-round productions. The Lakewood Historical Society preserves the heritage of the City and operates in "The Old Stone House, which was built in 1838 and is located in Lakewood Park. The City also sponsors the annual Lakewood Arts Festival and weekly summer band concerts. Other than the Cleveland Metropolitan Park District which is a separate political subdivision conterminous with Cuyahoga County, these activities are included in the governments reporting entity due to the ability to significantly influence operations and exercise oversight responsibility.

The City is served by Lakewood Hospital, a 410 bed acute care hospital, located in the center of the City. Lakewood Hospital admits approximately 9,400 patients annually, and employs approximately 1,000 employees with an annual payroll in excess of $30.0 million.

Prior to June 27, 1987, Lakewood Hospital (the Hospital) functioned as an operating unit of the City. On January 5, 1987, the City Council approved an agreement which resulted in the transfer of all real and personal property of the Hospital to the Lakewood Hospital Association (the Association), a not-for-profit corporation organized for the charitable purposes of operating the Hospital and its related health care facilities. The agreement became effective June 27, 1987 and resulted in the City transferring to the Association all liabilities, debts, monies, accounts, and inventories of the Hospital so that operations would continue as in the past. The Hospital has not met the established criteria for inclusion in the reporting entity, and accordingly, is excluded from this report.

(1) Description of Reporting Entity, Basis of Presentation and Summary of Significant Accounting Policies

(a) Financial Reporting Entity

For financial reporting purposes, the City of Lakewood, Ohio (the "City") includes all funds, account groups, agencies, boards, commissions, and authorities over which the City exercises oversight responsibility. Oversight responsibility, as defined by the Governmental Accounting Standards Board, was determined on the basis of the City's ability to significantly influence operations, select the governing authority, designate management, and participate in fiscal management and scope of public service. This oversight responsibility was further determined by the City on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the City, obligation of the City to finance any deficits that may occur, receipt of significant subsidies from the City and other matters of financial interdependency. On this basis, the reporting entity of the City includes police and fire protection, waste collection, street maintenance, parks and recreation, municipal court, health and certain social services and general administration services. In addition the City owns and operates several enterprise activities, including a water system, a local sewer system and parking facilities.

The following entities which are associated with the City are excluded from the accompanying financial statements.

City of Lakewood Board of Education, Community Development Corporation, and Public Library System--These potential component units have separate, independent boards and provide services to residents, generally within the geographic boundries of the government. These potential component units are excluded from the reporting entity because the City exercises neither significant influence nor oversight responsibilities over their operations, and does not approve budgets, maintain accounting records, or provide funding. Further the City is not responsible for , nor involved in, the selection of the representative governing authorities or the designation of their management.

Lakewood Hospital Association--Prior to June 26, 1987, Lakewood Hospital (the Hospital) was a component unit of the City. On January 5, 1987, the City Council of Lakewood, Ohio approved an agreement which resulted in the transfer of all real and personal property of the Hospital to the Lakewood Hospital Association (the Association), a not-for-profit

(Continued)

corporation organized for the charitable purpose of operating Lakewood Hospital and its related health care facilities generally within the geographic boundaries of the government. The agreement became effective June 26, 1987.

In connection with the agreement, the City transferred to the Association all liabilities, debts, monies, accounts and inventories of the Hospital, so that operations would continue as in the past. The term of the agreement is 25 years. Provisions to renew the agreement are also available. At the end of the term, the real and personal property of the Hospital and all monies, accounts and inventories then held by the Association shall be returned to the City. As part of the agreement, the Association has agreed to pay in each year the amount necessary to satisfy debt service on the Hospital's outstanding debt.

Subsequent to June 26, 1987 the Hospital is no longer considered a component unit of the reporting entity. While the City retains title to all assets and the Association debt is pledged by the full faith, credit and general revenues of the City, the City no longer exercises neither significant influence nor oversight responsibility over its operations, and does not adopt budgets, maintain accounting records, designate management, or provide further funding unless the Association violates provisions of the agreement with the City. Further, the City was only given responsibility for selecting seven of the original 21 member governing authority of which all subsequent vacancies will be appointed by the governing authority itself.

(b) Basis of Presentation

The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applicable to governments.

The financial transactions of the City are recorded in individual funds and account groups. The various funds and account groups are reported by type in the general purpose financial statements. Amounts in the "total--memorandum only" columns in the general purpose financial statements represent a summation of the combined financial statement line items of the fund types and account groups and are presented only for analytical purposes. The summation includes fund types and account groups that use different bases of accounting, both restricted and unrestricted amounts, interfund transactions that have not been eliminated, and the caption "amounts to be provided," which does not represent an asset. Consequently, amounts shown in the "total--memorandum

(Continued)

(8) Debt and Long-Term Obligations

Debt and long-term obligations of the City is as follows:

	Balance January 1, 1988	Additions	Reductions	Balance December 31, 1988
Capital Projects Fund:				
Notes payable				
5.150%, 1983 street resurfacing note	150,000	-	150,000	-
5.150%, 1984 street resurfacing note	120,000	90,000	120,000	90,000
5.150%, 1985 street resurfacing note	420,000	320,000	420,000	320,000
5.150%, 1986 street resurfacing note	400,000	350,000	400,000	350,000
5.150%, 1987 street resurfacing note	600,000	540,000	600,000	540,000
5.150%, 1988 street improvement note	-	300,000	-	300,000
5.150%, 1984 Lake Avenue resurfacing note	160,000	80,000	160,000	80,000
5.150%, 1985 Warren Road resurfacing note	165,000	110,000	165,000	110,000
6.190%, 1984 fire truck improvement note	66,000	33,000	66,000	33,000
6.190%, 1985 traffic signal improvement note	96,000	64,000	96,000	64,000
5.15%, 1986 sidewalk improvement note	96,000	72,000	96,000	72,000
5.150%, 1986 Bunts Road resurfacing note	200,000	150,000	200,000	150,000
6.190%, 1986 Foster Pool improvement note	1,140,000	1,080,000	1,140,000	1,080,000
5.150%, 1986 sidewalk improvement note	144,000	138,000	144,000	138,000
6.390%, 1987 park improvements note	120,000	100,000	120,000	100,000
5.15%, 1988 sidewalk improvement note	-	100,000	-	100,000
6.190%, 1988 sidewalk improvement note	-	300,000	-	300,000
Total Capital Projects Fund Debt	$ 3,877,000	3,827,000	3,877,000	3,827,000

(Continued)

	Balance January 1, 1988	Additions	Reductions	Balance December 31, 1988
General Long-Term Debt Account Group:				
General long-term debt:				
Special Assessment Bonds payable with governmental committment:				
8.875%, 1982 breakwall improvement bonds due through 1993	$ 135,000	-	20,000	115,000
8.75%, 1983 Waterford breakwall bonds due through 1994	68,000	-	9,000	59,000
8.25%, 1983 breakwall improvement bonds due through 1994	68,000	-	10,000	58,000
Total special assessment bonds payable with governmental committment	271,000	-	39,000	232,000
General obligation bonus payable:				
5.625%, 1978 air pollution equipment bonds due through 1998	440,000	-	40,000	400,000
5.625%, 1972 parking improvement bonds due through 1993	15,000	-	3,000	12,000
11.75%, 1981 recreational facilities bonds due through 2000	2,065,000	-	155,000	1,910,000
7%, 1983 refuse truck acquisition bonds due through 1988	200,000	-	200,000	-
Total general obligation bonds payable	$ 2,720,000	-	398,000	2,322,000
Total General Long-Term Debt	$ 2,991,000	-	437,000	2,554,000
Other long-term obligations:				
Accrued wages and benefits (accumulated unpaid employee benefits)	$ 10,469,958	442,069 (A)	-	10,912,027
Accumulated overtime	308,410	-	65,450 (A)	242,960
Total other long-term obligations	$ 10,778,368	442,069	65,450	11,154,987
Total general long-term debt and other long-term obligations	$ 13,769,368	442,069	502,450	13,708,987

(Continued)

	Balance January 1, 1988	Additions	Reductions	Balance December 31, 1988
Enterprise Funds:				
Notes payable:				
4.94%, 1981 sewer facilities improvement note	$ 2,140,000	1,540,000	2,140,000	1,540,000
6.12%, 1987 sewer facilities improvement note	800,000	640,000	800,000	640,000
4.94%, 1982 Cohasett water main note	100,000	50,000	100,000	50,000
4.94%, 1983 Olive water main note	250,000	100,000	250,000	100,000
4.94%, 1984 Parkside-McKinley water main note	40,000	20,000	40,000	20,000
4.94%, 1984 Motorized equipment note	58,000	29,000	58,000	29,000
5.66%, 1987 Parking facilities improvement note	330,000	330,000	330,000	330,000
6.39%, 1988 sewer facilities improvement note	-	270,000	-	270,000
Total Notes Payable	3,718,000	2,979,000	3,718,000	2,979,000
General Obligation Bonds payable:				
3.75%, 1960 water main construction bonds due through 1990	18,000	-	6,000	12,000
4.75%, 1968 sewer plant improvement bonds due through 1991	520,000	-	130,000	390,000
5.625%, 1978 sewer construction bonds due through 1993	150,000	-	25,000	125,000
5.625%, 1978 parking garage construction bonds due through 1998	2,035,000	-	185,000	1,850,000
6.25%, 1987 water main construction bonds due through 1997	1,200,000	-	120,000	1,080,000
6.75%, 1988 water main construction bonds due through 1998	-	1,200,000	-	1,200,000
Total General Obligation Bonds Payable	3,923,000	1,200,000	466,000	4,657,000
Total Enterprise Fund Debt	$ 7,641,000	4,179,000	4,184,000	7,636,000

(Continued)

Combining and Individual Fund Statements
Special Revenue Funds
Special Assessment Funds
Enterprise Funds

Annual maturity and sinking fund requirements to pay principal and interest on the obligations outstanding at December 31, 1988, excluding accrued wages, benefits, accumulated overtime, and unfunded pension costs follows:

	General Long-Term Debt Account Group		Enterprise Funds Debt	
	Principal	Interest	Principal	Interest
1989	$ 234,000	267,079	589,000	279,244
1990	235,000	243,229	589,000	245,319
1991	247,000	219,291	582,000	211,337
1992	248,000	194,157	453,000	177,638
1993	235,000	168,941	452,000	150,056
1994-1998	1,035,000	505,697	1,992,000	352,594
1999-2000	320,000	56,400	-	-
	$ 2,554,000	1,654,794	4,657,000	1,416,188

Capital Projects Fund debt is entirely composed of notes payable with $3,827,000 of principal and $213,691 of interest maturing during 1989.

Notes payable represent councilmanic approved general obligation bond anticipation notes in which the full faith, credit, and general revenues of the City are irrevocably pledged. Such notes are issued by the City with one year maturity. Ohio law permits the issuance and renewal of bond anticipation notes such that the notes may remain outstanding for twenty years consecutively before such notes must be retired either from available funds of the City or from the proceeds of bonds issued to redeem the anticipation notes. The City has the legal ability to renew $1,540,000 until 2001, $50,000 until 2002, $100,000 until 2003, $252,000 until 2004, $494,000 until 2005, $1,790,000 until 2006, and $1,610,000 until 2007, and $970,000 until 2008 of notes payable at December 31, 1988. During 1989 the City intends to renew a substantial amount of the notes reported in the Capital Projects Fund and the Enterprise Funds.

All bonds payable are general obligation bonds in which the full faith, credit, and general revenues of the City are irrevocably pledged.

Special assessment projects are funded through the issuance of bonds and notes payable. Bonds issued are recognized as general long-term obligations of the City, and retired with assessments levied against property owners and/or general revenues of the City based on the improvements benefit to the respective parties. Notes are recognized in the Capital Project Fund due to their short-term term nature. Assessments are receivable over periods ranging from five to ten years, with interest equal to the interest on the bonds and notes issued to finance the improvements.

(Continued)

In addition to the above Debt and Other Obligations, the City's full faith, credit, and general revenues are irrevocably pledged to the following Lakewood Hospital Association Debt at December 31, 1988:

City of Lakewood, Ohio Hospital Improvement Revenue Bonds, Series 1983-A	$ 30,605,000
City of Lakewood, Ohio Subordinated Hospital Improvement Revenue Bonds, Series 1983, net of unamortized bond discount of $73,247 and $76,576 in 1988 and 1987, respectively	3,676,753
Limited Tax Hospital Improvement Bonds, 4-3/4% payable in annual installments of $85,000 through 1994	510,000
Limited Tax Hospital Improvement Bonds, 5-3/8% payable in annual installments of $40,000 through 1991	120,000
Capital equipment leases, due in varying monthly installments including imputed interest at rates ranging from 7.0% to 9.5% per annum	122,780
	35,034,533
Less current installments	555,689
	$ 34,478,844

As more fully described in note (1(a)), the Lakewood Hospital Association (Association) is not a component unit of the City of Lakewood. However, as a result of the City's irrevocable pledge of its full faith, credit and general revenues regarding the repayment of certain Association Bonds, the following selected financial information of the Association is provided.

	December 31,	
	1988	1987
Total assets	$ 87,150,034	83,452,474
Long-term debt	$ 34,478,844	35,015,425
Other liabilities	8,216,682	8,870,810
Fund balances	44,454,508	39,566,239
	$ 87,150,034	83,452,474
Operating revenues	$ 58,304,265	54,354,304
Operating expenses	(55,814,358)	(52,617,047)
Non operating revenue (expense) net	1,803,726	1,411,453
Net income	$ 4,293,633	3,148,710

Combining and Individual Fund Statements
Special Revenue Funds
Special Assessment Funds
Enterprise Funds

CITY OF LAKEWOOD, OHIO

Enterprise Funds

Combining Financial Statements

Enterprise funds are set up to account for the acquisition and operatior governmental facilities and services that are entirely or predominan self-supporting from user charges. The City of Lakewood operates following enterprise activities:

Water Fund	To account for the provision of water distributi to the residents and commercial users of the City
Sewer and Wastewater Fund	To account for sanitary sewer services provided t the residential and commercial users of the City.
Parking Facilities Fund	To account for off-street parking services provided by the City.
Congregational Living Facility Fund	To account for residential accommodations for senior citizens provided by the City.

All activities necessary to provide the above services are accounted for in each particular fund including, but not limited to, administration, operations, maintenance, financing, related debt service, invoicing, and collection.

CITY OF LAKEWOOD, OHIO

Combining Balance Sheet--All Enterprise Funds

December 31, 1988

(with comparative totals for 1987)

	Water	Sewer and Wastewater	Parking Facilities	Congregational Living Facility	Totals 1988	Totals 1987
Assets:						
Current assets:						
Cash and cash equivalents	$ 2,261,822	775,444	239,638	26,705	3,303,609	2,939,520
Receivables:						
Accounts	1,178,285	537,249	-	-	1,715,534	1,725,720
Other	1,243	-	-	-	1,243	-
Less allowance for doubtful accounts	(31,882)	(14,458)	-	-	(46,340)	(48,301)
Receivables, net	1,147,646	522,791	-	-	1,670,437	1,677,419
Due from other funds	-	-	348,569	-	348,569	351,122
Due from other governments	-	-	-	-	-	2,497
Total current assets	3,409,468	1,298,235	588,207	26,705	5,322,615	4,970,558
Restricted cash and cash equivalents	-	228,873	-	-	228,873	1,102,796
Fixed assets in service:						
Land and land improvements	-	55,482	585,393	21,980	662,855	1,000,330
Utility plant in service	5,792,337	23,893,418	-	-	29,685,755	26,914,112
Buildings, structures and improvements	-	91,599	4,431,285	24,406	4,547,290	4,393,100
Machinery and equipment	150,913	6,672,891	41,082	-	6,864,886	6,951,321
Less accumulated depreciation	(1,491,569)	(7,984,487)	(794,206)	(11,593)	(10,281,855)	(9,623,569)
Fixed assets in service, net	4,451,681	22,728,903	4,263,554	34,793	31,478,931	29,635,294
Total assets	$ 7,861,149	24,256,011	4,851,761	61,498	37,030,419	35,708,648

(Continued)

LAKEWOOD OHIO

CITY OF LAKEWOOD, OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDING DECEMBER 31, 1989

(1) Description of Reporting Entity, Basis of Presentation and Summary of Significant Accounting Policies

(a) Financial Reporting Entity

For financial reporting purposes, the City of Lakewood, Ohio (the "City") includes all funds, account groups, agencies, boards, commissions, and authorities over which the City exercises oversight responsibility. Oversight responsibility, as defined by the Governmental Accounting Standards Board, was determined on the basis of the City's ability to significantly influence operations, select the governing authority, designate management, and participate in fiscal management and scope of public service. This oversight responsibility was further determined by the City on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the City, obligation of the City to finance any deficits that may occur, receipt of significant subsidies from the City and other matters of financial interdependency. On this basis, the reporting entity of the City includes police and fire protection, waste collection, street maintenance, parks and recreation, municipal court, health and certain social services and general administration services. In addition the City owns and operates several enterprise activities, including a water system, a local sewer system and parking facilities.

The following entities which are associated with the City are excluded from the accompanying financial statements.

City of Lakewood Board of Education, Community Development Corporation, and Public Library System--These potential component units have separate, independent boards and provide services to residents, generally within the geographic boundries of the government. These potential component units are excluded from the reporting entity because the City exercises neither significant influence nor oversight responsibilities over their operations, and does not approve budgets, maintain accounting records, or provide funding. Further the City is not responsible for , nor involved in, the selection of the representative governing authorities or the designation of their management.

Lakewood Hospital Association--Prior to June 26, 1987, Lakewood Hospital (the Hospital) was a component unit of the City. On January 5, 1987, the City Council of Lakewood, Ohio approved an agreement which resulted in the transfer of all real and personal property of the Hospital to the Lakewood Hospital Association (the Association), a not-for-profit

(Continued)

corporation organized for the charitable purpose of operating Lakewood Hospital and its related health care facilities generally within the geographic boundaries of the government. The agreement became effective June 26, 1987.

In connection with the agreement, the City transferred to the Association all liabilities, debts, monies, accounts and inventories of the Hospital, so that operations would continue as in the past. The term of the agreement is 25 years. Provisions to renew the agreement are also available. At the end of the term, the real and personal property of the Hospital and all monies, accounts and inventories then held by the Association shall be returned to the City. As part of the agreement, the Association has agreed to pay in each year the amount necessary to satisfy debt service on the Hospital's outstanding debt.

Subsequent to June 26, 1987 the Hospital is no longer considered a component unit of the reporting entity. While the City retains title to all assets and the Association debt is pledged by the full faith, credit and general revenues of the City, the City no longer exercises neither significant influence nor oversight responsibility over its operations, and does not adopt budgets, maintain accounting records, designate management, or provide further funding unless the Association violates provisions of the agreement with the City. Further, the City was only given responsibility for selecting seven of the original 21 member governing authority of which all subsequent vacancies will be appointed by the governing authority itself.

(b) Basis of Presentation

The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applicable to governments.

The financial transactions of the City are recorded in individual funds and account groups. The various funds and account groups are reported by type in the general purpose financial statements. Amounts in the "total—memorandum only" columns in the general purpose financial statements represent a summation of the combined financial statement line items of the fund types and account groups and are presented only for analytical purposes. The summation includes fund types and account groups that use different bases of accounting, both restricted and unrestricted amounts, interfund transactions that have not been eliminated, and the caption "amounts to be provided," which does not represent an asset. Consequently, amounts shown in the "total—memorandum

In addition to the above Debt and Other Obligations, the City's full faith, credit, and general revenues are irrevocably pledged to the following Lakewood Hospital Association Debt at December 31, 1989:

City of Lakewood, Ohio Hospital Improvement Refunding Revenue Bonds, Series One, net of unamortized bond discount of $3,678,592	34,511,408
City of Lakewood, Ohio Subordinated Hospital Improvement Revenue Bonds, Series 1983, net of unamortized bond discount of $69,760 and $73,247 in 1989 and 1988, respectively	$ 3,680,240
Limited Tax Hospital Improvement Bonds, 4-3/4% payable in annual installments of $85,000 through 1994	425,000
Limited Tax Hospital Improvement Bonds, 5-3/8% payable in annual installments of $40,000 through 1991	80,000
City of Lakewood, Ohio Hospital Improvement Revenue Bonds, Series Two, net of unamortized bond discount of $135,305	2,269,695
Other	47,413
	41,013,756
Less current installments	517,412
	40,496,344

As more fully described in note (1(a)), the Lakewood Hospital Association (Association) is not a component unit of the City of Lakewood. However, as a result of the City's irrevocable pledge of its full faith, credit and general revenues regarding the repayment of certain Association Bonds, the following selected financial information of the Association is provided.

	December 31, 1989	December 31, 1988
Total assets	$ 92,881,847	87,150,034
Long-term debt	$ 40,496,344	34,478,844
Other liabilities	7,069,826	8,216,682
Fund balances	45,315,677	44,454,508
Total liabilities and fund balances	$ 92,881,847	87,150,034

(Continued)

	December 31, 1989	December 31, 1988
Operating revenues	$ 60,133,782	58,304,265
Operating expenses	(59,580,463)	(55,814,358)
Non operating revenue (expense) net	2,042,282	1,803,726
Extraordinary loss on advance refinancing, net of estimated third party reimbursement	(2,112,830)	-
Net income	$ 482,771	4,293,633

It is the intention of the City that all enterprise fund obligations be paid from their operations.

The City has the ability to issue $22.9 million of additional debt without obtaining voter approval.

(9) Fund Balance Deficits

At December 31, 1989, the Capital Project Fund had a fund balance deficit of $402,279, the Streets and Highways Fund had a fund balance deficit of $168,315, the Municipal Energy Management Grant Fund had a fund balance deficit of $623, and the Children's Trust Grant Fund had a fund balance deficit of $45.

The Capital Projects Fund is established to account for the acquisition or construction of major capital facilities including the activities financed through special assessments. The fund balance deficit results from the use of short-term notes, which are recorded as liabilities of the fund, to finance major projects. In addition, capital outlay expenditures relating to special assessment projects occur early in the assessment period. The deficits resulting will be financed by both transfers from the General Fund, and the future collection of assessments which will be recognized as revenues in the year they become both measurable and available.

The Streets and Highways Fund (a Special Revenue fund) is used to account for the revenue from the City's share of state gasoline taxes and vehicle registration fees. The deficit is the result of timing differences in the approval of operating transfers from the General Fund by City Council and the occurance of the related expenditures.

The fund balance deficits in both the Municipal Energy Management Fund and the Children's Trust Grant Fund are caused by timing differences in the receipt of grants and their related expenditures.

(10) Income Taxes

During 1989 the City levied income tax of 1.5% on substantially all income earned within the City. In addition, residents are required

CITY OF
LAKEWOOD, OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 1990

8. Debt and Long-Term Obligations, Continued:

Special assessment projects are funded through the issuance of bonds and notes payable. Bonds issued are recognized as general long-term obligations of the City and retired with assessments levied against property owners and/or general revenues of the City based on the improvements/benefit to the respective parties. Assessments are receivable over periods ranging from five to ten years, with interest equal to the interest on the bonds and notes issued to finance the improvements.

It is the intention of the City that all Enterprise Fund obligations be paid from their operations.

The City has the ability to issue $13.1 million of additional debt without obtaining voter approval.

In addition to the above debt and other obligations, the City's full faith, credit, and general revenues are irrevocably pledged to the following Lakewood Hospital Association debt at December 31, 1990:

City of Lakewood, Ohio Hospital Improvement Refunding Revenue Bonds, Series One, net of unamortized bond discount of $3,437,750	$34,407,250
City of Lakewood, Ohio Subordinated Hospital Improvement Revenue Bonds, net of unamortized discount of $66,431	3,683,729
Limited Tax Hospital Improvement Bonds, 4-3/4% payable in annual installments of $85,000 through 1994	340,000
Limited Tax Hospital Improvement Bonds, 5-3/4% payable in annual installments of $40,000 through 1991	40,000
City of Lakewood, Ohio Hospital Improvement Revenue Bonds, Series Two, net of unamortized bond discount of $130,101	2,274,899
Other	
	40,745,878
Less current installments	830,000
	$39,915,878

8. Debt and Long-Term Obligations, Continued:

As more fully described in Note 1, the Lakewood Hospital Association (Association) is not a component unit of the City of Lakewood. However, as a result of the City's irrevocable pledge of its full faith, credit, and general revenues regarding the repayment of certain Association bonds, the following selected financial information of the Association is provided:

	December 31, 1990	December 31, 1989
Total assets	$ 99,158,709	$ 92,881,847
Long-term debt	$ 39,915,878	$ 40,496,344
Other liabilities	8,822,211	7,069,826
Fund balances	50,420,620	45,315,677
Total liabilities and fund balances	$ 99,158,709	$ 92,881,847
Operating revenues	$ 64,508,630	$ 60,133,782
Operating expenses	(62,166,147)	(59,580,463)
Non-operating revenue (expense), net	1,877,710	2,042,282
Extraordinary loss on advance refinancing, net of estimated third party reimbursement		(2,112,830)
Net income	$ 4,220,193	$ 482,771

9. Fund Balance Deficits:

At December 31, 1990, the Capital Projects Fund had a fund balance deficit of $1,527,881, the Streets and Highways Fund had a fund balance deficit of $293,957, and the Municipal Energy Management Grant Fund had a fund balance deficit of $4,778.

The Capital Projects Fund is established to account for the acquisition or construction of major capital facilities including the activities financed through special assessments. The fund balance deficit results from the use of short-term notes, which are recorded as liabilities of the fund, to

CITY OF
LAKEWOOD, OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 1991

11. Debt and Long-Term Obligations, Continued:

The City has the ability to issue $8.46 million of additional debt without obtaining voter approval.

In addition to the above debt and other obligations, the City's full faith, credit, and general revenues are irrevocably pledged to the following Lakewood Hospital Association debt at December 31, 1991:

City of Lakewood, Ohio Hospital Improvement Refunding Revenue Bonds, Series One, net of unamortized bond discount of $3,201,394 and mature in annual installments ranging from $750,000 in 1992 to $10,435,000 in 2014 at rates yielding from 6.75 percent to 7.2 percent	$33,938,606
City of Lakewood, Ohio Subordinated Hospital Improvement Revenue Bonds, net of unamortized discount of $63,102 and are dated to mature in 2010 and bears a floating rate	3,687,058
Limited Tax Hospital Improvement Bonds, 4-3/4% payable in annual installments of $85,000 through 1994	255,000
City of Lakewood, Ohio Hospital Improvement Revenue Bonds, Series Two, net of unamortized bond discount of $124,897 and are dated to mature in 2015 at rates yielding 7.5 percent	2,280,103
	40,160,767
Less current installments	835,000
	$39,325,767

As more fully described in Note 1, the Lakewood Hospital Association (Association) is not a component unit of the City of Lakewood. However, as a result of the City's irrevocable pledge of its full faith, credit, and general revenues regarding the repayment of certain Association bonds, the following selected financial information of the Association is provided:

	December 31,	
	1991	1990
Total assets	$104,164,609	$ 99,158,709
Long-term debt	$39,325,767	$ 39,915,878
Other liabilities	9,667,724	8,822,211
Fund balances	55,171,118	50,420,620
Total liabilities and fund balances	$104,164,609	$ 99,158,709
Operating revenues	$ 73,948,657	$ 64,508,630
Operating expenses	(69,965,421)	(62,166,147)
Non-operating revenue (expense), net	2,385,959	1,877,710
Extraordinary loss on advance refinancing	(2,450,097)	
Net income	$ 3,919,098	$ 4,220,193

City Of Lakewood, Ohio

Comprehensive Annual Financial Report

For The Year Ended December 31, 1992

11. Debt and Long-Term Obligations, Continued:

All bonds payable are general obligation bonds in which the full faith, credit, and general revenues of the City are irrevocably pledged. It is the intention of the City that all Enterprise Fund obligations be paid from their operations.

During 1991 and 1992, the City offered an Early Retirement Incentive Program for Public Works Department employees, as fully described in Note 10. The City's remaining obligation under this program is as follows:

	General Long-Term Debt Account Group	Enterprise Funds Debt	Total
1993	$308,331	$172,918	$ 481,249
1994	294,205	172,918	467,123
1995	273,972	172,918	446,890
1996	94,876	102,559	197,435
	$971,384	$621,313	$1,592,697

The City has the ability to issue $142,500 of additional debt without obtaining voter approval.

In addition to the above debt and other obligations, the City's full faith, credit, and general revenues are irrevocably pledged to the following Lakewood Hospital Association debt at December 31, 1992:

City of Lakewood, Ohio Hospital Improvement Refunding Revenue Bonds, Series One, net of unamortized bond discount of $2,969,812 and mature in annual installments ranging from $805,000 in 1993 to $10,435,000 in 2014 at rates yielding from 6.85 percent to 7.2 percent	$33,420,188
City of Lakewood, Ohio Subordinated Hospital Improvement Revenue Bonds, net of unamortized discount of $59,612 and are dated to mature in 2010 and bears a floating rate	3,690,388
Limited Tax Hospital Improvement Bonds, 4-3/4% payable in annual installments of $85,000 through 1994	170,000
City of Lakewood, Ohio Hospital Improvement Revenue Bonds, Series Two, net of unamortized bond discount of $119,693 and are dated to mature in 2015 at rates yielding 7.5 percent	2,285,307
	39,565,883
Less current installments	890,000
	$38,675,883

11. Debt and Long-Term Obligations, Continued:

As more fully described in Note 1, the Lakewood Hospital Association (Association) is not a component unit of the City of Lakewood. However, as a result of the City's irrevocable pledge of its full faith, credit, and general revenues regarding the repayment of certain Association bonds, the following selected financial information of the Association is provided:

	December 31, 1992	December 31, 1991
Total assets	$114,254,404	$104,164,609
Long-term debt	$38,675,883	$39,325,767
Other liabilities	12,545,068	9,667,724
Fund balances	63,033,453	55,171,118
Total liabilities and fund balances	$114,254,404	$104,164,609
Operating revenues	$ 82,202,538	$ 73,948,657
Operating expenses	(77,602,332)	(69,965,421)
Non-operating revenue (expense), net	2,678,013	2,385,959
Extraordinary loss on advance refinancing		(2,450,097)
Net income	$ 7,278,219	$ 3,919,098

12. Deficit Fund Balances or Retained Earnings of Individual Funds:

The following individual funds had deficit retained earnings or fund balances at December 31, 1992:

Special Revenue Funds	
Streets and Highways	$ 473,009
Police and Fire Pensions	422,394
Municipal Energy Management Grant	5,859
Emergency Shelter	12,456
Capital Projects Funds	
Downtown Development	1,449,298
1990 Watermain Issue 2 Assistance	89,005
Internal Service Funds	
General Insurance	43,649
Workers' Compensation	183,345

City Of Lakewood, Ohio

Comprehensive Annual Financial Report

For The Year Ended December 31, 1993

1. Description of Reporting Entity, Basis of Presentation and Summary of Significant Accounting Policies, Continued:

The Community Development Corporation is legally separate from the City but is reported as part of the City and blended into the appropriate funds.

The Community Development Corporation of Lakewood

The Community Development Corporation, (the "Corporation") was established for the purpose of developing a viable urban community, including decent housing, a suitable living environment and expanding economic opportunities for persons of low and moderate income. The Corporation is administered by a board that is nominated by the mayor and approved by City Council. The City has contracted with the Department of Housing and Urban Development to implement a Community Block Grant program in return for certain funding from that agency. The City's Block Grant Program is administered by the Corporation.

Additional financial information for the blended component unit can be requested from the City.

The following entities, which are associated with the City, are excluded from the accompanying financial statements.

- Lakewood City School District;
- Lakewood Public Library;
- Lakewood Hospital Association

These entities generally have separate, independent boards and provide services to residents within the geographic boundaries of the city. These entities are excluded from the reporting entity because either the city exercises no significant influence or oversight responsibilities over their operations, or it does not approve budgets, maintain accounting records, or provide funding. Further the city is not responsible for, nor involved in, either the selection of the representative governing authorities or the designation of their management.

11. Debt and Long-Term Obligations, Continued:

respective parties. Assessments are receivable over periods ranging from five to ten years, with interest equal to the interest on the bonds and notes issued to finance the improvements.

Annual maturity and sinking fund requirements to pay principal and interest on the general obligation and special assessment bonds outstanding at December 31, 1993 are as follow:

	General Long-Term Debt Account Group		Enterprise Funds Debt	
	Principal	Interest	Principal	Interest
1994	$ 998,500	$ 790,191	$ 951,500	$ 852,513
1995	998,500	719,191	966,500	787,152
1996	384,000	647,130	936,000	726,971
1997	624,000	616,860	951,000	667,807
1998	519,000	574,183	856,000	607,000
1999 and thereafter	8,213,000	4,959,170	8,847,000	4,231,996
	$11,737,000	$8,306,725	$13,508,000	$7,873,439

All bonds payable are general obligation bonds in which the full faith, credit, and general revenues of the City are irrevocably pledged. It is the intention of the City that all Enterprise Fund obligations be paid from their operations.

During 1992 and 1993, the City offered an Early Retirement Incentive Program for Public Works Department employees, as fully described in Note 10. The City's remaining obligation under this program is as follows:

	General Long-Term Debt Account Group	Enterprise Funds Debt	Total
1994	$309,898	$157,225	$ 467,123
1995	289,665	157,225	446,890
1996	94,875	102,560	197,435
	$694,438	$417,010	$1,111,448

LAKEWOOD OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT
CITY OF LAKEWOOD, OHIO

For The Year Ended December 31, 1994

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1. Description of Reporting Entity, Basis of Presentation and Summary of Significant Accounting Policies, Continued:

The Community Development Corporation of Lakewood

The Community Development Corporation, (the "Corporation") was established for the purpose of developing a viable urban community, including decent housing, a suitable living environment and expanding economic opportunities for persons of low and moderate income. The Corporation is administered by a board that is nominated by the Mayor and approved by City Council. The City has contracted with the Department of Housing and Urban Development to implement a Community Development Block Grant program in return for certain funding from that agency. The City's Block Grant Program is administered by the Corporation.

Additional financial information including the separate financial statements of the blended component unit can be requested from the City.

The following entities, which are associated with the City, are excluded from the accompanying financial statements.

- Lakewood City School District;
- Lakewood Public Library;
- Lakewood Hospital Association

B. Basis of Presentation

The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applicable to governments.

The financial transactions of the City are recorded in individual funds and account groups. The various funds and account groups are reported by type in the general purpose financial statements. Amounts in the "totals-memorandum only" columns in the general purpose financial statements are presented only to facilitate analysis. The total amounts do not present changes in financial position in conformity with generally accepted accounting principles. Interfund eliminations are not made in the aggregation of this information. The information is not comparable to consolidated information.

10. Debt and Long-Term Obligations, Continued:

Notes payable represent unvoted general obligation bond anticipation notes payable from ad valorem property taxes. Further security is provided on the general obligation bond anticipation notes by a pledge of the full faith, credit, and general revenues of the City for the payment of debt charges on the notes. The notes payable are issued by the City with one year maturity. The proceeds of the general obligation notes payable include a premium in the amount of $13,460.

General obligation notes payable and special assessment notes payable that will be refinanced with long-term debt or renewed in 1995 are comprised of $10,491,000 of principal and $401,220 of interest maturing during 1995.

Special assessment projects are funded through the issuance of bonds and notes payable. Bonds and notes issued are recognized as general long-term obligations of the City and retired with assessments levied against property owners and/or general revenues of the City based on the improvements/benefit to the respective parties. Assessments will be received over periods ranging from five to ten years, with interest equal to the interest on the bonds and notes issued to finance the improvements.

A summary of the City's future debt service requirements for tax supported general obligation and special assessment bonds; enterprise fund general obligation, special obligation, and revenue bonds as of December 31, 1994 follows:

	General Long-Term Obligations Account Group		Enterprise Funds Debt	
	Principal	Interest	Principal	Interest
1995	$ 998,500	$ 719,193	$ 966,500	$ 787,152
1996	384,000	646,982	936,000	726,972
1997	624,000	616,862	951,000	667,808
1998	519,000	574,183	866,000	607,000
1999	524,000	536,184	571,000	551,412
2000 and thereafter	7,689,000	3,698,704	8,276,000	3,680,584
	$ 10,738,500	$ 6,792,108	$ 12,566,500	$ 7,020,928

The bonds payable are comprised of unvoted general obligation bonds of the City payable from ad valorem property taxes and special obligation bonds. The basic security for payment of the general obligation bonds of the City is the requirement of the levy by the City of ad valorem property taxes within the ten-mill limitation imposed by Ohio law. Additionally, the City has pledged its full faith and credit as security for the general obligation bonds payable. General obligation bonds issued to provide funds for additions or improvements to the fixed assets of the enterprise funds are general obligations of the City; however, the City's practice has been to service the debt with the revenues of the respective enterprise funds.