



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF ORRVILLE
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REPORT OF INDEPENDENT ACCOUNTANTS

City of Orrville
Wayne County
207 North Main Street
Orrville, Ohio 44667

To the Mayor and City Council Members:

We have audited the accompanying general purpose financial statements of the City of Orrville, Wayne County, (the City) as of and for the year ended December 31, 1999, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City as of December 31, 1999, and the results of its operations and the cash flows of its proprietary fund types and non-expendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2000 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

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

Jim Petro
Auditor of State

June 26, 2000

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CITY OF ORRVILLE
WAYNE COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE YEAR ENDED DECEMBER 31, 1999

<u>ASSETS AND OTHER DEBITS</u>	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Equity in pooled cash and cash equivalents	\$ 2,169,135	\$ 523,351	\$ 8,580	\$ 2,416,626
Equity in pooled investments	118,425	28,784	-	132,966
Cash with fiscal agent	-	-	-	-
Investments with fiscal agents	-	-	-	-
Restricted cash and investments	-	-	95,000	-
Receivable:				
Accounts	6,130	42,705	-	-
Taxes - Current	796,859	-	-	238,172
Taxes - Delinquent	2,113	-	-	-
Interest	21,428	152	416	-
Interest - restricted	-	-	-	-
Other	19,543	-	-	-
Special assessments	-	-	126,700	-
Due from other governments	11,876	21,061	-	-
Inventories	100,755	-	-	-
Prepaid expenses	11,476	-	-	-
Deferred charges	-	-	-	-
Property, plant, and equipment (net of accumulated depreciation, where applicable)	-	-	-	-
Amount available for retirement of general long-term obligations	-	-	-	-
Amount to be provided for retirement of general long-term obligations	-	-	-	-
TOTAL ASSETS AND OTHER DEBITS	\$ 3,257,740	\$ 616,053	\$ 230,696	\$ 2,787,764

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

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTALS
ENTERPRISE	INTERNAL SERVICE	TRUST & AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	(MEMO- RANDOM ONLY)
\$ 12,529,344	\$ 941,838	\$ 43,304	\$ -	\$ -	\$ 18,632,178
175,000	51,825	-	-	-	507,000
174,582	-	-	-	-	174,582
3,069,134	-	-	-	-	3,069,134
8,340,653	-	4,027	-	-	8,439,680
2,635,480	18,669	-	-	-	2,702,984
-	-	-	-	-	1,035,031
-	-	-	-	-	2,113
77,707	-	9	-	-	99,712
24,885	-	-	-	-	24,885
-	-	-	-	-	19,543
-	-	-	-	-	126,700
-	-	-	-	-	32,937
3,042,977	-	-	-	-	3,143,732
33,221	-	-	-	-	44,697
1,025,271	-	-	-	-	1,025,271
49,157,434	-	-	19,082,467	-	68,239,901
-	-	-	-	103,996	103,996
-	-	-	-	716,491	716,491
\$ 80,285,688	\$ 1,012,332	\$ 47,340	\$ 19,082,467	\$ 820,487	\$ 108,140,567

CITY OF ORRVILLE
WAYNE COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)

GOVERNMENTAL FUND TYPES

LIABILITIES, EQUITY AND OTHER CREDITS

LIABILITIES

	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Accounts payable	\$ 21,715	\$ 41,779	\$ -	\$ -
Accrued interest payable	-	-	-	-
Compensated absences payable	11,683	-	-	-
Accrued wages and benefits	28,254	6,619	-	-
Deposits held	-	-	-	-
Deferred revenue	461,205	-	126,700	-
Due to others	-	-	-	-
Due to other governments	99,507	51	-	-
Claims payable	-	-	-	-
Notes payable	-	-	-	-
Long-term debt - current	-	-	-	-
Long-term debt	-	-	-	-
OPWC loan payable	-	-	-	-
Retainage payable	-	-	-	-
TOTAL LIABILITIES	622,364	48,449	126,700	-

EQUITY AND OTHER CREDITS

Contributed capital	-	-	-	-
Investment in general fixed assets	-	-	-	-
Retained earnings:				
Reserved for debt service	-	-	-	-
Unreserved	-	-	-	-
Fund balances:				
Reserved for debt service	-	-	103,996	-
Reserved for endowment	-	-	-	-
Reserved for encumbrances	103,360	-	-	667,371
Reserved for inventory	100,755	-	-	-
Reserved for prepaid items	11,476	-	-	-
Unreserved - undesignated	2,419,785	567,604	-	2,120,393
TOTAL EQUITY AND OTHER CREDITS	2,635,376	567,604	103,996	2,787,764

**TOTAL LIABILITIES, EQUITY
AND OTHER CREDITS**

\$ 3,257,740	\$ 616,053	\$ 230,696	\$ 2,787,764
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The notes to the general purpose financial statements are an integral part of this statement.

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTALS
ENTERPRISE	INTERNAL SERVICE	TRUST & AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	(MEMO-RANDUM ONLY)
\$ 1,062,766	\$ -	\$ -	\$ -	\$ -	\$ 1,126,260
213,706	-	-	-	-	213,706
684,332	-	-	-	488,487	1,184,502
71,373	-	-	-	-	106,246
102,930	-	-	-	-	102,930
-	-	-	-	-	587,905
-	-	43,305	-	-	43,305
180,052	-	-	-	-	279,610
-	89,048	-	-	-	89,048
320,000	-	-	-	250,000	570,000
1,820,747	-	-	-	-	1,820,747
28,213,282	-	-	-	82,000	28,295,282
1,148,409	-	-	-	-	1,148,409
227,860	-	-	-	-	227,860
34,045,457	89,048	43,305	-	820,487	35,795,810
3,226,643	-	-	-	-	3,226,643
-	-	-	19,082,467	-	19,082,467
2,354,453	-	-	-	-	2,354,453
40,659,135	923,284	-	-	-	41,582,419
-	-	-	-	-	103,996
-	-	4,027	-	-	4,027
-	-	73	-	-	770,804
-	-	-	-	-	100,755
-	-	-	-	-	11,476
-	-	(65)	-	-	5,107,717
46,240,231	923,284	4,035	19,082,467	-	72,344,757
\$ 80,285,688	\$ 1,012,332	\$ 47,340	\$ 19,082,467	\$ 820,487	\$ 108,140,567

CITY OF ORRVILLE
WAYNE COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1999

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
<u>REVENUES</u>				
Property taxes	\$ 446,551	\$ -	\$ -	\$ -
Municipal income taxes	1,548,034	-	-	1,077,972
State and other local taxes	240,551	383,636	-	-
Special assessments	-	47,751	22,577	-
Intergovernmental	525,525	-	-	74,888
Charges for services	169,007	307,039	-	-
Interest	204,547	4,251	4,359	-
Fines, licenses and permits	23,447	17,627	-	-
Miscellaneous	102,402	5,689	-	1,700
TOTAL REVENUES	3,260,064	765,993	26,936	1,154,560
<u>EXPENDITURES</u>				
Security of persons and property	1,110,871	14,922	-	-
Public health services	113,283	-	-	-
Culture and recreation	174,415	6,443	-	-
Community development	7,802	-	-	76,881
Basic utility services	1,165	183,701	-	-
Transportation	223,823	751,860	-	-
General government	1,531,063	1,553	73	-
Capital outlay	-	-	-	649,360
Debt service:				
Principal	-	250,000	15,000	-
Interest and fiscal charges	-	13,463	7,275	-
TOTAL EXPENDITURES	\$ 3,162,422	\$ 1,221,942	\$ 22,348	\$ 726,241

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

FIDUCIARY		TOTALS	
FUND TYPE		EXPENDABLE (MEMORANDUM TRUST ONLY)	

\$	-	\$	446,551
	-		2,626,006
	-		624,187
	-		70,328
	-		600,413
	-		476,046
	3		213,160
	-		41,074
	180		109,971
	183		5,207,736

	-		1,125,793
	200		113,483
	-		180,858
	-		84,683
	-		184,866
	-		975,683
	-		1,532,689
	-		649,360
	-		265,000
	-		20,738
\$	200	\$	5,133,153

CITY OF ORRVILLE
WAYNE COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1999

(Continued)

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ 97,642	\$ (455,949)	\$ 4,588	\$ 428,319
<u>OTHER FINANCING SOURCES/(USES)</u>				
Sale of notes	-	250,000	-	-
Sale of fixed assets	4,759	-	-	32
Operating transfers in	-	254,601	-	-
Operating transfers out	(214,214)	-	-	-
Other sources	461,551	50,924	-	531
TOTAL OTHER FINANCING SOURCES (USES)	252,096	555,525	-	563
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	349,738	99,576	4,588	428,882
FUND BALANCES - January 1, 1999	2,284,029	468,027	99,408	2,358,882
Increase in Reserve for Inventory	1,609	-	-	-
FUND BALANCES - December 31, 1999	\$ 2,635,376	\$ 567,604	\$ 103,996	\$ 2,787,764

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

FIDUCIARY		
FUND TYPE		TOTALS
EXPENDABLE (MEMORANDUM TRUST)		ONLY)
<u>\$</u>	<u>(17)</u>	<u>\$ 74,583</u>
-		250,000
-		4,791
-		254,601
-		(214,214)
-		513,006
<hr/>		
-		808,184
<hr/>		
(17)		882,767
<hr/>		
208		5,210,554
<hr/>		
-		1,609
<hr/>		
<u>\$</u>	<u>191</u>	<u>\$ 6,094,930</u>

CITY OF ORRVILLE
WAYNE COUNTY

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

	GENERAL FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
<u>REVENUES</u>			
Property taxes	\$ 455,600	\$ 446,551	\$ (9,049)
Municipal income taxes	1,813,000	1,631,190	(181,810)
State and other local taxes	125,795	269,610	143,815
Special assessments	-	-	-
Intergovernmental	364,826	532,666	167,840
Charges for services	110,000	173,990	63,990
Interest	182,000	217,942	35,942
Fines, licenses and permits	16,000	24,190	8,190
Miscellaneous	96,400	101,305	4,905
TOTAL REVENUES	3,163,621	3,397,444	233,823
<u>EXPENDITURES</u>			
Public health services	142,129	135,846	6,283
Security of persons and property	1,372,594	1,215,799	156,795
Culture and recreation	188,400	186,122	2,278
Community development	13,327	11,805	1,522
Basic utility services	18,800	3,795	15,005
Transportation	239,924	227,583	12,341
General government	1,741,261	1,635,354	105,907
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
TOTAL EXPENDITURES	\$ 3,716,435	\$ 3,416,304	\$ 300,131

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

SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
372,600	387,501	14,901	-	-	-
-	47,751	47,751	23,000	22,577	(423)
-	-	-	-	-	-
282,000	305,073	23,073	-	-	-
700	4,309	3,609	4,500	4,310	(190)
17,500	17,616	116	-	-	-
8,000	5,689	(2,311)	-	-	-
680,800	767,939	87,139	27,500	26,887	(613)
-	-	-	-	-	-
21,500	16,664	4,836	-	-	-
7,500	6,443	1,057	-	-	-
-	-	-	-	-	-
262,000	258,820	3,180	-	-	-
1,290,128	778,846	511,282	-	-	-
-	-	-	100	73	27
-	-	-	-	-	-
-	250,000	(250,000)	15,000	15,000	-
-	13,463	(13,463)	7,275	7,275	-
\$ 1,581,128	\$ 1,324,236	\$ 256,892	\$ 22,375	\$ 22,348	\$ 27

CITY OF ORRVILLE
WAYNE COUNTY

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

	GENERAL FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ (552,814)	\$ (18,860)	\$ 533,954
<u>OTHER FINANCING SOURCES / (USES)</u>			
Operating transfers in	-	-	-
Operating transfers out	(227,000)	(214,214)	12,786
Sale of notes	-	-	-
Sale of fixed assets	-	4,759	4,759
Other sources	392,000	461,551	69,551
TOTAL OTHER FINANCING SOURCES / (USES)	165,000	252,096	87,096
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(387,814)	233,236	621,050
FUND BALANCES - January 1, 1999	1,873,587	1,873,587	-
Prior Year Carryover Encumbrances	39,074	39,074	-
FUND BALANCES - December 31, 1999	\$ 1,524,847	\$ 2,145,897	\$ 621,050

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

SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
\$ (900,328)	\$ (556,297)	\$ 344,031	\$ 5,125	\$ 4,539	\$ (586)
435,000	254,602	(180,398)	-	-	-
-	-	-	-	-	-
350,000	250,000	(100,000)	-	-	-
-	-	-	-	-	-
108,828	50,924	(57,904)	-	-	-
893,828	555,526	(338,302)	-	-	-
(6,500)	(771)	5,729	5,125	4,539	(586)
366,964	366,964	-	99,038	99,038	-
175,127	175,127	-	-	-	-
\$ 535,591	\$ 541,320	\$ 5,729	\$ 104,163	\$ 103,577	\$ (586)

CITY OF ORRVILLE
WAYNE COUNTY

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

	CAPITAL PROJECTS FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
<u>REVENUES</u>			
Property taxes	\$ -	\$ -	\$ -
Municipal income taxes	836,068	1,028,549	192,481
State and other local taxes	-	-	-
Special assessments	-	-	-
Intergovernmental	85,670	74,888	(10,782)
Charges for services	-	-	-
Interest	-	-	-
Fines, licenses and permits	-	-	-
Miscellaneous	7,014	1,700	(5,314)
TOTAL REVENUES	928,752	1,105,137	176,385
<u>EXPENDITURES</u>			
Public health services	-	-	-
Security of persons and property	-	-	-
Culture and recreation	-	-	-
Community development	84,835	76,881	7,954
Basic utility services	-	-	-
Transportation	-	-	-
General government	-	-	-
Capital outlay	2,087,005	1,316,731	770,274
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
TOTAL EXPENDITURES	\$ 2,171,840	\$ 1,393,612	\$ 778,228

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

EXPENDABLE TRUST FUND		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
200	180	(20)
200	180	(20)

TOTALS (MEMORANDUM ONLY)		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
\$ 455,600	\$ 446,551	\$ (9,049)
2,649,068	2,659,739	10,671
498,395	657,111	158,716
23,000	70,328	47,328
450,496	607,554	157,058
392,000	479,063	87,063
187,200	226,561	39,361
33,500	41,806	8,306
111,614	108,874	(2,740)
4,800,873	5,297,587	496,714

273	273	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
\$ 273	\$ 273	\$ -

142,402	136,119	6,283
1,394,094	1,232,463	161,631
195,900	192,565	3,335
98,162	88,686	9,476
280,800	262,615	18,185
1,530,052	1,006,429	523,623
1,741,361	1,635,427	105,934
2,087,005	1,316,731	770,274
15,000	265,000	(250,000)
7,275	20,738	(13,463)
\$ 7,492,051	\$ 6,156,773	\$ 1,335,278

CITY OF ORRVILLE
WAYNE COUNTY

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

	CAPITAL PROJECTS FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ (1,243,088)	\$ (288,475)	\$ 954,613
<u>OTHER FINANCING SOURCES / (USES)</u>			
Operating transfers in	7,753	-	(7,753)
Operating transfers out	-	-	-
Sale of notes	-	-	-
Sale of fixed assets	-	32	32
Other sources	-	531	531
TOTAL OTHER FINANCING SOURCES / (USES)	7,753	563	(7,190)
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,235,335)	(287,912)	947,423
FUND BALANCES - January 1, 1999	1,969,070	1,969,070	-
Prior Year Carryover Encumbrances	201,065	201,065	-
FUND BALANCES - December 31, 1999	\$ 934,800	\$ 1,882,223	\$ 947,423

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

EXPENDABLE TRUST FUND				TOTALS (MEMORANDUM ONLY)			
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)		REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)	
\$ (73)	\$ (93)	\$ (20)		\$ (2,691,178)	\$ (859,186)	\$ 1,831,992	
-	-	-		442,753	254,602	(188,151)	
-	-	-		(227,000)	(214,214)	12,786	
-	-	-		350,000	250,000	(100,000)	
-	-	-		-	4,791	4,791	
-	-	-		500,828	513,006	12,178	
-	-	-		1,066,581	808,185	(258,396)	
(73)	(93)	(20)		(1,624,597)	(51,001)	1,573,596	
155	155	-		4,308,814	4,308,814	-	
73	73	-		415,339	415,339	-	
\$ 155	\$ 135	\$ (20)		\$ 3,099,556	\$ 4,673,152	\$ 1,573,596	

CITY OF ORRVILLE
WAYNE COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1999

	ENTERPRISE FUNDS	INTERNAL SERVICE FUND	NON- EXPENDABLE TRUST FUND
<u>OPERATING REVENUES</u>			
Charges for services	\$ 21,839,324	\$ 1,014,222	\$ -
TOTAL OPERATING REVENUES	21,839,324	1,014,222	-
<u>OPERATING EXPENSES</u>			
Personal services	5,268,869	-	-
Materials and supplies	4,743,289	-	-
Utilities	1,277,686	-	-
Contractual services	4,299,812	-	-
Depreciation	2,800,167	-	-
Claims Expense	-	925,377	-
Miscellaneous	38,734	-	-
TOTAL OPERATING EXPENSES	18,428,557	925,377	-
Operating Income	3,410,767	88,845	-
<u>NONOPERATING REVENUES</u>			
Interest	1,656,430	64,024	-
Sale of fixed assets	1,564	-	-
Transfers In	9,009,795	-	-
Loss on sale of fixed assets	(2,211)	-	-
TOTAL NONOPERATING REVENUES	\$ 10,665,578	\$ 64,024	\$ -

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

TOTALS
(MEMORANDUM
ONLY)

\$ 22,853,546

22,853,546

5,268,869
4,743,289
1,277,686
4,299,812
2,800,167
925,377
38,734

19,353,934

3,499,612

1,720,454
1,564
9,009,795
(2,211)

\$ 10,729,602

CITY OF ORRVILLE
WAYNE COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1999

(Continued)

	ENTERPRISE FUNDS	INTERNAL SERVICE FUND	NON- EXPENDABLE TRUST FUND
<u>NONOPERATING EXPENSES</u>			
Debt Service:			
Interest and fiscal charges	\$ 1,698,072	\$ -	\$ -
Amortization	45,282	-	-
Transfers out	9,050,183	-	-
TOTAL NONOPERATING EXPENSES	10,793,537	-	-
Net Income	3,282,808	152,869	-
Retained Earnings - January 1, 1999	39,730,780	770,415	4,027
Retained Earnings - December 31, 1999	43,013,588	923,284	4,027
Contributed Capital - December 31, 1999	3,226,643	-	-
FUND EQUITY - December 31, 1999	\$ 46,240,231	\$ 923,284	\$ 4,027

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

TOTALS
(MEMORANDUM
ONLY)

\$ 1,698,072
45,282
9,050,183

10,793,537

3,435,677

40,505,222

43,940,899

3,226,643

\$ 47,167,543

CITY OF ORRVILLE
WAYNE COUNTY

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1999

	ENTERPRISE FUNDS	INTERNAL SERVICE FUND	NON- EXPENDABLE TRUST FUND
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Operating Income	\$ 3,410,767	\$ -	\$ -
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation and amortization	2,845,449	-	-
Change in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(196,321)	(18,457)	-
Inventories	(381,051)	-	-
Prepaid expenses	6,405	-	-
Accrued interest	(8,594)	-	-
Deferred charges	50,258	-	-
Increase (decrease) in:			
Accounts payable	279,883	-	-
Claims payable	-	28,859	-
Loan payable	(60,443)	-	-
Accrued interest payable	(16,083)	-	-
Accrued wages and benefits	(167,569)	-	-
Long-Term debt	(1,284,883)	-	-
Deferred revenue	(4,975)	-	-
Compensated absences payable	(299,218)	-	-
Due to other governments	(73,104)	-	-
Total adjustments	689,754	10,402	-
Net cash provided by operating activities	4,100,521	10,402	-
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>			
Other nonoperating revenues	9,007,584	1,014,222	-
Other nonoperating expenses	(9,050,183)	(925,377)	-
Net cash provided by noncapital financing activities	\$ (42,599)	\$ 88,845	\$ -

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

TOTALS
(MEMORANDUM
ONLY)

\$ 3,410,767

2,845,449

(214,778)

(381,051)

6,405

(8,594)

50,258

279,883

28,859

(60,443)

(16,083)

(167,569)

(1,284,883)

(4,975)

(299,218)

(73,104)

700,156

4,110,923

10,021,806

(9,975,560)

\$ 46,246

CITY OF ORRVILLE
WAYNE COUNTY

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)

	ENTERPRISE FUNDS	INTERNAL SERVICE FUND	NON- EXPENDABLE TRUST FUND
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Proceeds from sale of assets	\$ 1,564	\$ -	\$ -
Acquisition of capital assets	(3,476,929)	-	-
Principal paid on notes and bonds	(2,218,881)	-	-
Net cash used by capital and related financing activities	(5,694,246)	-	-
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest Income	1,656,430	64,024	-
Net cash provided by investing activities	1,656,430	64,024	-
Net increase in cash and cash equivalents	20,106	163,271	-
Cash and cash equivalents - January 1, 1999	24,268,607	830,392	4,027
Cash and cash equivalents - December 31, 1999	\$ 24,288,713	\$ 993,663	\$ 4,027

**Reconciliation of Cash and Cash Equivalents
and Investments to the Combined Balance Sheet**

Trust and Agency	\$ 47,331
Less: Agency Fund	(43,304)
Nonexpendable Trust Fund	<u>\$ 4,027</u>

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

TOTALS
(MEMORANDUM
ONLY)

\$ 1,564
(3,476,929)
(2,218,881)

(5,694,246)

1,720,454

1,720,454

183,377

25,103,026

\$ 25,286,403

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CITY OF ORRVILLE
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

1. DESCRIPTION OF CITY AND REPORTING ENTITY

The City of Orrville (the City), located in Wayne County, was incorporated on May 9, 1864, and officially reached city status in October, 1951. The City operates under the home rule provision of Ohio law and was established as a Charter City effective January 1, 1976. The City operates under a Council-Mayor form of government and is organized with the following departments: Law, Finance, Public Utilities, and Public Safety and Service. Each department consists of the director thereof and such assistants as Council by ordinance shall provide. The Directors of Law and Finance are appointed by the Mayor without term, with the consent of Council. The Director of Public Safety and Service is appointed by the Mayor without term. The Director of Public Utilities is appointed without term by a five person Public Utilities Board, which in turn is appointed by the Mayor with consent of Council. The Public Utilities Board is charged with the operations and maintenance of the electric, water and sanitary sewer utilities of the City. The electric utility operation involves both power generation and distribution.

Financial Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading.

A primary government consists of all funds, agencies, departments and offices that are not legally separate from the City. The primary government of the City includes City departments and agencies that provide the following services: police protection, fire fighting and prevention, street maintenance and repairs, building inspection, parks and recreation, water, electric, sewer and sanitation.

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

CITY OF ORRVILLE
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

Governmental, expendable trust and agency funds are accounted for on the modified accrual basis of accounting. Revenues are recognized when they become measurable and available to finance expenditures of the current period. The current period of the City is sixty days after year-end. Revenue items which are recognized before the related cash is received and are recorded as receivable include accounts, property taxes, and special assessments. Special assessments in this case are reported as deferred revenue since the amount to be received in the current period is indeterminate at year-end. Expenditures are recognized when the liability is incurred, with the exception of accumulated unpaid employee compensation which is not payable from expendable financial resources and interest on general long-term obligations, which are reported when due.

Proprietary and nonexpendable trust funds are accounted for on the accrual basis of accounting. Their revenues are recognized in the period earned and expenses are recognized in the period incurred. Proprietary funds' unbilled services receivable are recognized as revenue in the period when the service is provided.

B. Basis of Presentation

The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applicable to governments. The accounts of the City are organized on the basis of funds or groups of accounts. The individual funds and groups are presented in the financial statements as follows:

Governmental Funds

Governmental funds are accounted for on a spending measurement focus. Only current assets and current liabilities are generally included on the Combined Balance Sheet. The operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during a period.

CITY OF ORRVILLE
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

General Fund - the general operating fund of the City; used to account for all revenues and expenditures except those required to be accounted for in another fund.

Special Revenue Funds - used to account for revenue from specific sources (other than capital projects) that require separate accounting because of legal restrictions requiring that expenditures be for specified purposes.

Debt Service Funds - used to account for the accumulation of resources for the payment of general long-term liabilities including principal, interest, and related costs. According to generally accepted accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only.

Capital Projects Funds - used to account for revenues and expenditures related to the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Proprietary Funds

Proprietary funds account for operations that are organized to be self-supporting through user charges. All assets and liabilities (whether current or noncurrent) associated with their activity are included on the combined balance sheet. Reported fund equity (net total assets) is segregated into components of contributed capital and retained earnings. Proprietary fund measurement focus is based upon determination of net income, financial position and changes in cash flows.

Enterprise Funds - used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Fund - used to account for the financing of goods and services provided by one department to other departments of the City on a cost reimbursement basis.

CITY OF ORRVILLE
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds (Continued)

Under the guidelines of Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Units That Use Proprietary Fund Accounting, the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989, to proprietary activities.

Fiduciary Funds

Fiduciary funds are used to account for resources held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, or other funds.

Agency Fund - this fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Trust Funds - used to account for assets held by a governmental unit in a trustee capacity. These include an Expendable and a Nonexpendable Trust Fund.

Account Groups

Account groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term obligations.

General Fixed Assets Account Group - used to account for capital assets used in general government operations (other than those accounted for in proprietary funds).

General Long-Term Obligations Account Group - used to account for general obligation bonds with maturities in excess of one year (except for those accounted for in proprietary funds). These bonds are secured by the credit of the City as a whole and are payable from general government resources.

CITY OF ORRVILLE
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and the nonexpendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

All governmental fund types, the expendable trust fund and agency funds are accounted for using the modified accrual basis of accounting. Under this basis, revenue is recognized in the accounting period when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current year. The available period for the City is sixty days after year end.

In applying the susceptible to accrual concept under the modified accrual basis of accounting, the following revenue sources are deemed both measurable and available: employer withheld income taxes, interest on investments, utility billings, and State levied locally shared taxes (including motor vehicle license fees, gasoline taxes, and local government assistance).

CITY OF ORRVILLE
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Current and delinquent property taxes measurable as of December 31, 1999, whose availability is indeterminate and which are not intended to finance current period obligations, have been recorded as a receivable. Levied special assessments are measurable, and have been recorded as a receivable. Since all assessments are due outside of the available period, the entire amount has been deferred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and the nonexpendable trust fund. Revenues are recognized when they are earned and become measurable and expenses are recognized when they are incurred, if measurable. Unbilled service charges receivable are recognized as revenue at year end.

D. Budgetary Process

An annual budget of estimated receipts and disbursements is adopted by City Council each year for all funds, for the period January 1 to December 31 of the following year. Modifications to the original budget are approved by City Council throughout the year through appropriation ordinances and amendments adopted thereto. All funds, other than agency funds, are required to be budgeted and appropriated. The City maintains budgetary control by not permitting cash disbursements to exceed appropriations within each line item as set by the appropriation ordinance (legal level) without the approval of City Council.

CITY OF ORRVILLE
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

Tax Budget During the first Council meeting in July, the Mayor presents the annual operating budget for the following year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuring year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balance at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 1999.

Appropriations A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations may not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Council. During the year, several supplemental appropriation measures were passed. None of these supplemental appropriations had any significant effect on the original appropriations. The budget figures which appear in the statements of budgetary comparison represent the final appropriation amounts, including all amendments and modifications.

CITY OF ORRVILLE
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

Encumbrances The City maintains budgetary control over disbursements by utilizing the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

Lapsing of Appropriations At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

The City's budget (budgetary basis) accounts for certain transactions on a basis which differs from generally accepted accounting principles (GAAP basis). The major difference between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash or encumbered (budgetary) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are recorded as a reservation of fund balance (budgetary) as opposed to an expenditure equivalent (GAAP).

CITY OF ORRVILLE
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$349,738	\$ 99,577	\$ 4,588	\$ 428,882	\$ (17)
Net adjustments for revenue accruals	(119,772)	(1,946)	(49)	(49,423)	(3)
Net adjustments for expenditure accruals	130,416	(133,605)	-	-	-
Net adjustments for encumbrances	<u>(125,075)</u>	<u>(10,806)</u>	<u>-</u>	<u>(667,371)</u>	<u>(73)</u>
Budgetary Basis	<u>\$235,307</u>	<u>\$ (46,780)</u>	<u>\$ 4,539</u>	<u>\$(287,912)</u>	<u>\$ (93)</u>

E. Cash, Cash Equivalents and Investments

Cash balances of the City's funds, except cash held by a trustee or fiscal agent, are pooled and invested in short-term investments in order to produce improved cash management. Investments are stated at fair value, which approximates market value. For purposes of the statement of cash flows, the City concedes certificates of deposit with a maturity of three months or less when purchased to be cash equivalents, as well as, those monies classified as "Restricted Cash and Investments" on the Combined Balance Sheet. Restricted Cash and Investment are only able to be used for the specific items that they have been designated for.

F. Inventories

Inventories are stated at approximate cost (determined on an average cost basis). Quantities are determined by a physical count. Inventories of proprietary funds are expensed when used. Total inventory valuation has been reduced due to various items being obsolete and still on the inventory records. This reduction figure was estimated to be 5% of the total value. The reduction is intended to properly reflect original cost of all inventories. The total reduction amount in 1999 was \$159,251.

CITY OF ORRVILLE
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. General Fixed Assets

General Fixed Assets, which consist of property and equipment acquired through expenditures of governmental funds, are recorded at cost or estimated historical cost, or with respect to donated assets, fair market value at date of donation. No depreciation has been provided on General Fixed Assets.

H. Property and Equipment - Enterprise Funds

Property and equipment related to enterprise funds are stated at cost, or estimated historical cost. Donated assets are recorded at their fair market value at date of donation. There is a mortgage lien against all property and equipment related to the Enterprise Funds. Depreciation is provided over the estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Land improvements	20 years
Buildings	45 years
Machinery and equipment	6 to 20 years
Underground piping	30 to 65 years

I. Compensated Absences

City employees are granted vacation and sick leave pursuant to City ordinance. Full-time employees earn from one to five weeks of vacation annually, based on their length of service. Vacation is required to be taken within one year of the date it vests. Accumulated unused sick pay up to a maximum of 120 days is paid upon death or eligible retirement of a full-time employee.

Additional personal leave days are earned by full-time employees (except police personnel) upon completion of six consecutive months of service without a sick day. Police department personnel are entitled to one personal day for each additional four days of sick leave earned beyond the maximum 180 days of sick leave.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are

CITY OF ORRVILLE
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences (Continued)

not expected to be liquidated with expendable available financial resources are reported in the General Long-Term Obligations Account Group. No expenditure is reported for these amounts until paid. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with the provisions of the Governmental Accounting Standards Board Statement No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement.

J. Reservations of Fund Equity

The City records reservations for portions of fund equity which are legally segregated for specific future use of which do not represent available expendable resources and therefore are not available for appropriation or expenditure. The unreserved portions of fund equity reflected in the Governmental Funds are available for use within the specific purposes of those funds. Fund equity reserves are established for encumbrances, debt service, endowment, inventory and prepaids.

K. Estimates

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

M. Total (Memorandum Only) Columns

Total columns on the General Purpose Financial Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. The summation includes fund types and account groups that use different bases of accounting, both restricted and unrestricted amounts, interfund transactions which have not been eliminated, and the caption "amount to be provided" which is not considered an asset. Such information should not be considered comparable to a consolidation and does not represent total resources available or total revenues and expenditures/expenses of the City.

CITY OF ORRVILLE
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

3. EQUITY IN POOLED CASH AND INVESTMENTS

State statutes classify monies held by the City into three categories. Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the City has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposits maturing no later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts. Interim deposits are deposits of interim monies.

Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposits maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Interim monies may be invested in the following obligations. In general, investments must mature or be redeemable within two years from the date of purchase:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury, or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan making association. All federal agency securities shall be direct issuances of federal government agencies or instrumentality;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

CITY OF ORRVILLE
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two national recognized rating agencies.

Investments in stripped principal or interest obligation, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements.

At December 31, 1999, the carrying amount of the City's cash and certificates of deposit was \$27,202,861 and the bank balance was \$27,847,403. Of the bank balance, \$300,000 was covered by federal depository insurance, \$3,900,000 collateralized by the pledging of specific assets of the financial institution and held by an agent in the City's name, \$17,744,617 was collateralized through pool pledged securities, \$5,728,204 was collateralized by the pledging of specific assets of the financial institution, held by an agent of the custodial bank, but not recorded in the City's name, and the remaining \$174,582 was held by a trustee. The pledged assets consist of eligible securities with an aggregate market value at least equal to the excess of all public deposits over and above those insured by the Federal Deposit Insurance

CITY OF ORRVILLE
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Corporation or any other agency or instrumentality of the federal government. Statutes authorize the City to invest in obligations of, or guaranteed by the U.S. Treasury, agencies of the federal government, repurchase agreements, and bonds and other obligations of the State of Ohio.

The City's investments are categorized below to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City. Category 2 includes uninsured or unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the City's name.

Based on the above criteria, the City's investments at December 31, 1999 are classified as follows:

<u>Investments</u>	<u>Category</u>		<u>Carrying Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>3</u>		
Repurchase Agreements	\$ -	\$ 175,000	\$ 175,000	\$ 175,000
U.S. Treasury Notes	2,465,650	-	2,465,650	2,465,650
U.S. Treasury Bills	647,063	-	647,063	647,063
Special Assessment Bonds	-	-	<u>332,000</u>	<u>332,000</u>
Total Investments	<u>\$ 3,112,713</u>	<u>\$ 175,000</u>	<u>\$ 3,619,713</u>	<u>\$ 3,619,713</u>

The U.S. Treasury notes, bonds, and bills are insured by the federal government and are registered in the name of the City. Securities underlying the repurchase agreements are held by a safekeeping agent and are specifically pledged to the City as collateral; however, they are not registered in the City's name. The special assessment bonds represent debt issued by the City's Debt Service Fund and subsequently purchased by the City to be held as investments in the General Fund.

CITY OF ORRVILLE
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

A reconciliation between the Combined Balance Sheet and the investment schedule per GASB Statement No. 3 is presented as follows:

<u>Carrying Amount</u>	<u>Investments</u>	Per Combined Balance Sheet:
Equity in Pooled Cash	\$18,632,178	\$ -
Equity in Pooled Investment	507,000	-
Restricted Cash and Investment	8,439,680	-
Cash with Fiscal Agent	174,582	-
Investment with Fiscal Agent	<u>3,069,134</u>	<u>-</u>
 Total Combined Balance Sheet	 30,822,574	 -
 Repurchase Agreements	 (175,000)	 175,000
 U.S. Treasury Notes	 (2,465,650)	 2,465,650
 U.S. Treasury Bills	 (647,063)	 647,063
 Special Assessment Bonds	 <u>(332,000)</u>	 <u>332,000</u>
 GASB Statement No. 3	 <u>\$ 27,202,861</u>	 <u>\$ 3,619,713</u>

4. ACCRUED INTEREST

Interest earned from certificates of deposit and investments specifically owned by certain funds is recorded in that fund. Interest earned from pooled cash, certificates of deposit, and investment securities is allocated to the General and Enterprise Funds based on a determination of each fund's excess cash available for investment.

CITY OF ORRVILLE
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

5. LOCAL TAXES

A. Property Taxes

Real property taxes are levied on October 1st of the preceding calendar year on assessed values equal to 35% of appraised values as of January 1 of that preceding year, the lien date. The County Auditor reappraises all real property every six years with a triennial update. The last appraisal was completed for tax year 1999.

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. The tax rate applied to real property for the fiscal year ended December 31, 1999 was \$2.80 per \$1,000 of assessed valuation. Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended December 31, 1999 was \$2.80 per \$1,000 of assessed valuation. Real property owners' tax bills are reduced by homestead and rollback deductions, when applicable. The State of Ohio reimburses these deductions to the City.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City. Taxes are payable in February and July of each year.

When the County Auditor periodically remits to the City its portion of the taxes collected, it becomes available and is recorded as revenue by the City.

Accrued taxes receivable includes delinquent taxes outstanding and real property taxes, which became measurable as of December 31, 1999. Although total property tax collections for the next fiscal year are measurable, these amounts are intended only to finance the next fiscal year operations. The receivable is, therefore, offset by a credit to deferred revenue.

CITY OF ORRVILLE
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

5. LOCAL TAXES (Continued)

B. Municipal Income Taxes

The City levies a municipal income tax of 1% on substantially all income earned within the City. In addition, residents are required to pay city income taxes of 1% earned outside the City; however, a 1% credit is allowed for income taxes paid to other municipalities.

Municipal income taxes are allocated to the General Fund and to the Capital Projects Fund based upon the following:

- . All refunds and expenditures for collection of municipal income taxes are paid out of the General Fund.
- . 40% of municipal income taxes, net of an amount equal to refunds and expenditures for collection, is allocated to the Capital Projects Fund.
- . The remaining 60% of municipal income taxes are allocated to the General Fund.

6. FIXED ASSETS

Activity with respect to general fixed assets during 1999 follows:

	<u>Balance</u> <u>1/1/99</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/99</u>
Land and Land Improvements	\$ 1,638,953	\$ 138,197	\$ -	\$ 1,777,150
Buildings and Building Improvements	9,152,784	13,461	-	9,166,245
Machinery and Equipment	3,403,775	880,146	-	4,283,921
Infrastructure	1,281,722	2,573,429	-	3,855,151
Construction-In-Progress	<u>2,182,819</u>	<u>-</u>	<u>(2,182,819)</u>	<u>-</u>
Total	<u>\$17,660,053</u>	<u>\$3,605,233</u>	<u>\$(2,182,819)</u>	<u>\$ 19,082,467</u>

CITY OF ORRVILLE
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

6. FIXED ASSETS (Continued)

Activity with respect to property and equipment in the Enterprise Fund during 1999 follows:

	<u>Balance</u> <u>1/1/99</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/99</u>
Land and Land Improvements	\$ 673,546	\$ 749	\$ -	\$ 674,295
Buildings and Building Improvements	18,405,028	2,752,611	-	21,157,639
Infrastructure	69,729,574	1,529,678	-	71,259,252
Machinery and Equipment	4,758,339	326,341	(37,595)	5,047,085
Construction-In-Progress	<u>1,163,290</u>	<u>-</u>	<u>(1,132,450)</u>	<u>30,840</u>
	94,729,777	4,609,379	(1,170,045)	98,169,111
Accumulated Depreciation	<u>(46,246,292)</u>	<u>(2,800,169)</u>	<u>34,784</u>	<u>(49,011,677)</u>
Total	<u>\$48,483,485</u>	<u>\$1,809,210</u>	<u>\$(1,135,261)</u>	<u>\$ 49,157,434</u>

7. CONTRIBUTED CAPITAL

Assets constructed or acquired by the governmental fund types and transferred to the Enterprise Funds, or assets partially financed through grants to the Enterprise Funds from other governmental entities, represent contributed capital to the enterprise operations. The following is a summary of contributed capital by fund for the City's Enterprise Funds:

	<u>Electric</u>	<u>Sewer</u> <u>Utility</u>	<u>Water</u> <u>Utility</u>	<u>Total</u>
Contributed Capital-December 31, 1999	<u>\$ 575,955</u>	<u>\$ 1,661,047</u>	<u>\$ 989,641</u>	<u>\$ 3,226,643</u>

There were no changes made to Contributed Capital during 1999.

CITY OF ORRVILLE
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

8. DEBT

A. Notes Payable

A summary of the note transactions for the year ended December 31, 1999 follows:

	<u>Enterprise</u>	<u>GLTOAG</u>
Balance at January 1, 1999	\$ 480,000	\$ 250,000
Issued	320,000	250,000
Retired	<u>(480,000)</u>	<u>(250,000)</u>
Balance at December 31, 1999	<u>\$ 320,000</u>	<u>\$ 250,000</u>

The balance at December 31, 1999 consisted of two outstanding note obligations described as follows:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal Issued</u>
Sewer System Improvements	4.125%	7/8/00	\$ 320,000
Downtown Improvements	5.40%	2/1/00	250,000

B. Long-Term Debt

A summary of long-term debt transactions for the year ended December 31, 1999 follows:

	<u>General Long-Term Obligation</u>	<u>Enterprise</u>
Balance at January 1, 1999	\$ 97,000	\$ 32,921,494
Issued	-	1,208,852
Retired	<u>(15,000)</u>	<u>(1,738,237)</u>
Balance at December 31, 1999	<u>\$ 82,000</u>	<u>\$ 32,392,109</u>

General Long-Term Obligations Account Group:

Bonds outstanding at December 31, 1999, consisted of the following:

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Date of Final Installment</u>	<u>Balance 12/31/99</u>
Special Assessment Bonds:				
1996 Street Improvements	7.50%	8-01-96	12-01-11	<u>82,000</u>
Total				<u>\$ 82,000</u>

CITY OF ORRVILLE
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

8. DEBT (Continued)

B. Long-Term Debt (Continued)

The above bonds are held as an investment in the City's General Fund at December 31, 1999.

Enterprise:

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Date of Final Installment</u>	<u>Balance 12/31/99</u>
Electric Refunding and Improvement Revenue Bonds:	3.75% - 5.10%	7-01-98	12-1-17	\$17,545,000
Water System Improvement Revenue Bonds:	3.45% - 6.125%	6-01-94	12-1-18	8,090,000
Ohio Public Works Commission:	0%	1-01-99	7-01-18	1,148,409
Ohio Water Development Authority: Water Pollution Control Loan	3.54%	12-16-93	7-1-12	5,511,566
Sewer System Loan	5.50%	8-4-72	1-1-13	<u>97,134</u>
Total Enterprise Bonds				<u>\$32,392,109</u>

Annual maturity of principal and interest on the obligations outstanding at December 31, 1999 is as follows:

	<u>General long-term Obligations</u>		<u>Electric Refunding and Improvement Revenue Bond</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2000	\$ 5,000	\$ 6,150	\$ 1,165,000	\$ 808,294
2001	5,000	5,775	1,215,000	761,289
2002	5,000	5,400	1,260,000	711,004
2003	6,000	5,025	1,310,000	657,594
2004	6,000	4,575	1,375,000	600,744
Thereafter	<u>55,000</u>	<u>17,775</u>	<u>11,220,000</u>	<u>2,506,972</u>
Total	<u>\$ 82,000</u>	<u>\$ 44,700</u>	<u>\$17,545,000</u>	<u>\$ 6,045,897</u>

CITY OF ORRVILLE
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

8. DEBT (Continued)

B. Long-Term Debt (Continued)

The amount presented as long-term debt in the Enterprise Funds on the Combined Balance Sheet is shown net of \$1,207,050 unamortized defeasance.

Long-Term Debt	\$32,392,109
Unamortized Defeasance	<u>(1,209,671)</u>
Net Long-Term Debt	<u>\$31,182,438</u>

	<u>Water System Improvement</u> <u>Revenue Bonds</u>			<u>Ohio Public Works</u> <u>Commission Loan</u>	
	<u>Principal</u>	<u>Interest</u>		<u>Principal</u>	<u>Interest</u>
2000	\$ 250,000	\$ 474,284	2000	\$ 60,443	\$ -
2001	265,000	462,159	2001	60,443	-
2002	275,000	449,041	2002	60,443	-
2003	290,000	435,154	2003	60,443	-
2004	305,000	420,219	2004	60,443	-
Thereafter	<u>6,705,000</u>	<u>3,449,050</u>	Thereafter	<u>846,194</u>	<u>-</u>
Total	<u>\$ 8,090,000</u>	<u>\$ 5,689,907</u>	Total	<u>\$1,148,409</u>	<u>\$ -</u>

	<u>Ohio Water Development Authority Loans</u>			
	<u>Water Pollution Control Loan</u>		<u>Sewer Loan</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2000	\$ 340,518	\$ 192,120	\$ 4,786	\$ 5,342
2001	352,682	179,961	5,050	5,079
2002	365,275	167,363	5,327	4,801
2003	378,320	154,318	5,620	4,508
2004	391,831	140,807	5,929	4,199
Thereafter	<u>3,682,940</u>	<u>602,236</u>	<u>70,422</u>	<u>20,738</u>
Total	<u>\$ 5,511,566</u>	<u>\$1,436,805</u>	<u>\$ 97,134</u>	<u>\$ 44,667</u>

CITY OF ORRVILLE
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

8. DEBT (Continued)

B. Long-Term Debt (Continued)

The electric refunding and improvement revenue bonds are secured by a mortgage lien against all property and equipment used in the Electric Utility operations.

On June 9, 1994, the City issued \$9,385,000 Water System Improvement Revenue Bonds, dated June 1, 1994. These registered bonds have interest rates ranging from 3.45% to 6.125% and will be retired on December 1 of each year from 1994 through 2018 in various amounts established in the bond transcript proceedings. These bonds were issued for the purpose of improving the municipal water system through the acquisition and construction of improvements, including, but not limited to, the construction of a new water treatment plant, improvements to the existing water treatment plant, and additions to the water distribution system. The bonds are payable solely from revenues derived from the utility less operating expenses, and are not otherwise an obligation of the City.

On December 16, 1993, the City issued \$7,185,000 water pollution control loan through the Ohio Water Development Authority with an interest rate of 3.54%. This amount less issuance costs were deposited into escrow to advance refund \$7,040,000 of outstanding sewer improvements mortgage revenue bonds with interest rates ranging from 4.75% to 7.85%. The amount put into escrow was used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the \$7,040,000 sewer improvement mortgage revenue bonds. As a result, those bonds are considered to be defeased and the liability for these bonds has been removed from the Enterprise Funds. The difference between the reacquisition price and the net carrying amount of the old debt was deferred and is or will be amortized over the remaining life of the new debt in accordance with GASB Statement No. 23. At December 31, 1999, the water pollution control loan amount net of deferred amount is \$4,829,448.

On July 24, 1997, the City issued \$15,230,000 in Electric System Revenue Refunding and Improvement Bonds. The refunding portion of these bonds was \$11,805,000. This amount less issuance costs was deposited into an escrow account to advance refund \$11,105,000 of outstanding Electric System Mortgage Revenue Bonds with interest rates ranging from 3.75% to 5.0%. The amount put into escrow was used to purchase U.S. government securities.

CITY OF ORRVILLE
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

8. DEBT (Continued)

B. Long-Term Debt (Continued)

Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the \$11,105,000 Electric System Mortgage Revenue bonds. As a result, those bonds are considered to be defeased and the liability for these bonds has been removed from the City's Enterprise Funds. The difference between the reacquisition price and the net carrying amount of the old debt was deferred and is or will be amortized over the remaining life of the new debt in accordance with GASB Statement No. 23. At December 31, 1999, the electric system revenue refunding and improvement bonds liability net of the deferred amount was \$17,019,999.

The City has authorized the issuance of Industrial Revenue Bonds by various commercial organizations bearing the City's name. The obligation for repayment of this debt rests solely with the organizations for whom the debt is issued. The City has assumed no responsibility for repayment, and thus no liability is reflected in the accompanying financial statements. As of December 31, 1999, the amount of aggregate principal outstanding was \$4,180,091.

On January 1, 1999 the City started making payments on the contractual agreements for construction loans from the Ohio Public Works Commission (OPWC). Under the terms of these agreements, the OPWC will reimburse, advance or directly pay the construction costs of approved projects. The OPWC will capitalize administrative costs and construction interest and add them to the total amount of the final loan. The balance of this loan at December 31, 1999 was \$1,148,409, and is listed on the Combined Balance Sheet as "OPWC Loan Payable".

9. DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

The City contributes to the Public Employees Retirement System (PERS), a multiple-employer cost sharing defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement system issues

CITY OF ORRVILLE
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

9. DEFINED BENEFIT PENSION PLANS (Continued)

A. Public Employees Retirement System (Continued)

a publicly available financial report that includes financial statements and required supplementary information for the fund. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 466-2085.

The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members are required to contribute 8.5% of their annual covered salary and the City is required to contribute 13.55%. The City's contributions to the plan for the years ending December 31, 1999, 1998, and 1997, were \$804,400, \$748,578, and \$819,973 respectively, equal to the required contributions for the year.

B. Police and Fire Pension Fund

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24% respectively for police officers and firefighters. The City's contributions to OP&F for the years ending December 31, 1999, 1998, and 1997 were \$119,981, \$128,333, \$125,130, respectively, equal to the required contributions for the year.

CITY OF ORRVILLE
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

10. POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

The Public Employees Retirement System (PERS) of Ohio provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credits and to primary survivor recipients of such retirees. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on the authority granted by State statute. The employer contribution rate was 13.55% of covered payroll; 4.2% was used to fund health care in 1999.

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

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

CITY OF ORRVILLE
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

10. POSTEMPLOYMENT BENEFITS (Continued)

B. Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund provides post-retirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of eighteen whether or not the child is attending school or under the age of twenty-two if attending school full-time or on a two-thirds basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No.12. The Ohio Revised Code Chapter 742 provides that health care costs paid from the funds of the Police and Fire Pension Fund shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll.

The Ohio Revised Code provides the statutory authority allowing the Fund's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 6.5% and 7.0% of covered payroll in 1998 and 1999, respectively. The allocation is 7.25% in 2000. In addition, since July 1, 1992, most retirees have been required to contribute to a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 1998 are 11,424 for policemen and 9,186 for firemen (the latest information available). The City's actual contributions for 1999 that were used to fund post-employment benefits were \$39,157 for police and \$3,185 for firemen. The Fund's total health care expenses for the year ending December 31, 1998 was \$78,596,790, which was net of member contributions of \$5,331,515.

11. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains Enterprise Funds, which are identified as the Water Utility Fund, Sewer Utility Fund, and Electric Utility Fund. Segment information for these funds for the year ended December 31, 1999 is as follows:

CITY OF ORRVILLE
WAYNE COUNTY
NOTES FOR THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

11. SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)

	<u>Water</u> <u>Utility</u>	<u>Electric</u> <u>Utility</u>	<u>Sewer</u> <u>Utility</u>	<u>Total</u>
Operating revenues	\$ 2,510,535	\$ 17,195,714	\$ 2,133,075	\$ 21,839,324
Operating expenses, (excluding depreciation and amortization)	1,166,909	13,510,076	951,405	15,628,390
Depreciation and amortization expense	609,247	1,769,476	466,726	2,845,449
Operating income	734,369	1,961,444	714,954	3,410,767
Net nonoperating expenses including operating transfers	484,734	931,400	281,938	1,698,072
Net income	450,305	2,188,932	643,573	3,282,810
Property acquisitions	454,557	2,855,781	166,591	3,476,929
Net working capital	5,240,006	18,385,001	4,962,652	28,587,659
Total assets	20,252,855	45,773,250	14,259,583	80,285,688
Total equity	10,531,504	26,971,324	8,737,403	46,240,231
Encumbrances at December 31, 1999	163,317	1,236,796	175,186	1,575,299

12. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the City contracted with private carriers for property and fleet insurance, liability insurance, and inland marine coverage. Coverage provided is as follows:

Building and Contents-replacement cost (\$500 deductible) - \$8,468,452

Inland Marine Coverage (\$500 deductible) - \$415,262

Automobile Liability (\$250 deductible) - \$1,000,000

Uninsured Motorists - \$250,000

General Liability - \$2,000,000

Public Officials Liability - \$2,000,000

Umbrella Coverage - \$5,000,000

CITY OF ORRVILLE
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

12. RISK MANAGEMENT (Continued)

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a reduction in coverage from the prior year.

In April 1992, the City entered into a partial self-insurance plan for health care benefits with Aultcare. The plan has a stop-loss limit at which point excess claims would be paid by the insurance company. The activity of the plan is recorded in the City's Internal Service Fund. Premiums are transferred on a monthly basis to the Internal Service Fund from other participating funds, and claims are paid on a weekly basis by a wire transfer to Aultcare. The claims liability of \$89,048 reported in the Internal Service Fund at December 31, 1999 is based on an estimate provided by the third party administrator and meets the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim cost, including estimates of cost relating to incurred but not reported claims, be reported. Changes in claims activity for the past two years are as follows:

	<u>Balance at</u> <u>January 1</u>	<u>Current</u> <u>Year Claims</u>	<u>Claims</u> <u>Payments</u>	<u>Balance at</u> <u>December 31</u>
1998	\$47,224	\$845,377	\$832,412	\$60,189
1999	60,189	954,236	925,377	89,048

Worker's Compensation - For fiscal year 1999, the City participated in the Ohio Municipal League's Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to cities that can meet the GRP's selection criteria. The firm of Gates McDonald and Co. provides administrative, cost control, and actuarial services to the GRP. Each year, the City pays an enrollment fee to the GRP to cover the costs of administering the program.

CITY OF ORRVILLE
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

13. CONTINGENT LIABILITIES

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims would not have a material adverse effect on the overall financial position of the City at December 31, 1999.

The City is party to legal proceedings. The City management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material, adverse effect, if any, on the financial condition of the City.

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

City of Orrville
Wayne County
207 North Main Street
Orrville, Ohio 44667

To the Mayor and City Council Members:

We have audited the general purpose financial statements of the City of Orrville, Wayne County, (the City) as of and for the year ended December 31, 1999, and have issued our report thereon dated June 26, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

However, we noted an immaterial instance of noncompliance that we have reported to management of the City in a separate letter dated June 26, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 1999-20985-001.

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

might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be a material weaknesses. However, we believe the reportable condition described above is not a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the City in a separate letter dated June 26, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

June 26, 2000

**CITY OF ORRVILLE
SCHEDULE OF FINDINGS
DECEMBER 31, 1999**

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

FINDING NUMBER 1999-20985-001

Fixed Assets

The following conditions were noted during our testing of fixed assets:

- Thirty-five out of thirty-five fixed assets tested were not properly tagged.
- The City does not maintain a "Fixed Asset Master Listing" for the General Fixed Asset Account Group.
- The City maintains a Calculated Depreciation Listing which is used as a master fixed asset listing for the Enterprise Funds. During testing of the beginning balance, we noted two of the twenty assets were not removed from the Calculated Depreciation Listing. During the testing of the additions, we noted twenty-three of the thirty-five assets' acquisition dates were not reflected on the Listing. In addition, all thirty-five assets tested did not reflect a serial/vehicle identification number or fixed asset number on the Listing.
- The City has not adopted a fixed asset policy.

As a result, there is a lack of accountability and monitoring controls by the City over the purchase, sale and movement of fixed assets.

The City should perform the following;

- Ensure current fixed asset additions are properly tagged.
- Prepare and maintain a "Fixed Asset Master Listing". The Fixed Asset Master Listing should include the tag numbers, acquisition dates and location of the fixed asset.
- The Calculated Depreciation Listing should be updated to reflect the City's assets. The Listing should include all pertinent information, if the Listing is used as a fixed asset master listing.
- Adopt a formal fixed asset policy to define management's criteria, but not limited to, fixed asset capitalization threshold; depreciation method; fixed asset useful life by category; treatment of fixed assets purchased in the aggregate; recognition of donated fixed assets, construction in progress and contributed capital.

This will help ensure the City maintains an adequate system of internal control over the purchase, sale, and movement of fixed assets among the City's departments.

During 2000, the City is implementing new software which includes a fixed asset package.



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CITY OF ORRVILLE

WAYNE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 24, 2000